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NEWS SUMMARY

GENERAL

CBI rift with Thatcher grows

The rift between the Government and industry over the state of the economy is putting the Prime Minister's closest supporters in the Cabinet increasingly on the defensive.

Hardliners in the Cabinet rallied at the weekend to support Chancellor Sir Geoffrey Howe's determination not to introduce a mini-budget, amid signs that the CBI is likely to follow its gloomy economic report last week with concerted pressure for reflationary measures in the autumn. Details Back Page; Midlands in Recession Back Page.

SA compromise

The South African Government may be willing to compromise on its decision to cede part of the Kwazulu tribal homeland to Swaziland. Page 2

Detention death

Ernest Depale, 21, a black detainee held under South Africa's Internal Security Act was found hanged in his cell at Johannesburg Police Headquarters.

Hunger vigil

Mrs Donna Hartman, the wife of the U.S. Ambassador to Moscow, visited Soviet hunger striker Yuri Balovlenkov for the third time to try to persuade him to end his 35-day fast for the right to emigrate.

Jobless fast

Three Greek graduates who passed civil-service examinations but never received appointments completed the 50th day of a hunger strike intended to pressure the socialist government into finding them jobs.

Church's assets

Almost four years after the ritual deaths of the Rev Jim Jones and hundreds of his followers in Guyana, the People's Temple's £5m assets will be shared by 600 victims and relatives.

Tree campaign

The people of Peking have planted 2.7m trees this summer in the Government's campaign to turn the dry and dusty capital into a garden city.

Boat deaths

About 300 people are believed to have drowned when an overloaded boat sank in the Straits of Makassar off Indonesia last week. The boat, which had a capacity for 60 passengers, was carrying 400.

Ulster questioning

A man who had been held by police investigating last month's provisional IRA bombings in London was being questioned by Ulster detectives, apparently in connection with a murder inquiry.

Coach crash

Thirteen people were injured, one seriously, when a coach carrying 37 members of the Leeds Post Office Rambling Association crashed near Harrogate at the weekend.

Pig liberation

Compassion in World Farming, an umbrella organisation for several animal welfare groups, is to launch a nationwide campaign next month against the factory farming of pigs.

Briefly. . . .

Seventy-one people have now died as a result of a textile factory fire in northern Tanzania.

West German grand prix at Hockenheim was won by Patrick Tambay (Ferrari, France).

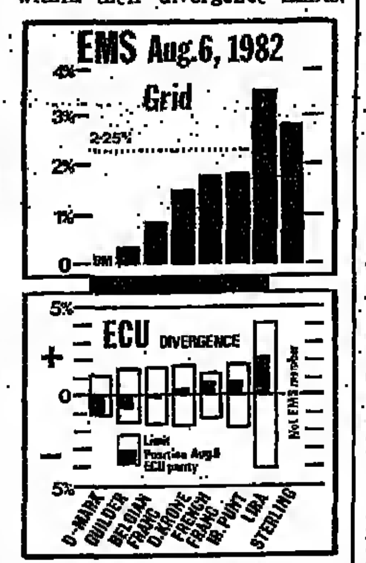
BUSINESS

Texas energy bank rescued

● U.S. BANK regulators have arranged for Abilene National Bank in Texas to be taken over by Mercantile Texas Corporation, one of the state's biggest banks. Abilene National lent heavily to energy companies and was hit by the decline in oil prices and by concern about energy-lending banks after the collapse of Penn Square Bank. Back Page

● NUOVO Banco Ambrosiano opens for business today with starting capital of L600bn (£250m) provided by seven banks. Page 18

● THERE was little or no positional change within the European Monetary System last week. Interest rates tended to ease a little, but further cuts will probably depend on the attitude of the Bundesbank at this week's meeting of the central council. Here, there could be a cut in the Lombard rate, although recent dollar strength has brought this more into question. However, the Bank of France cut some domestic interest rates, while the Belgian authorities trimmed ½ point off short-term Treasury bill rates. The Italian lira remained the most improved currency within the system, and the D-mark was again the weakest member, although all currencies traded comfortably within their divergence limits.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● MEXICO would have had to default on its £46m foreign debt but for its effective devaluation of the peso and partial imposition of exchange controls, said President Jose Lopez Portillo. Page 2

● AIRLINES involved in "illegal bucket shop" ticket deals should face sanctions, but there should be a new range of bona fide discount fares, said the International Air Transport Association. Back Page

● ICI has deferred plans to build a £100m-plus methanol plant on Tees-side.

● INTERIG, a new company, is to design, build, sell and lease a type of oil production platform which could develop small, marginally economic fields. Back Page

● CITIES SERVICE shares are expected to fall heavily on Wall Street today following the withdrawal of Gulf Oil's £2.9bn bid. Page 18

● BR and unions have agreed there will be no compulsory redundancies among drivers as a result of flexible rostering. Page 5

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Israeli Minister dashes Beirut pact hopes

BY DAVID LENNON IN TEL AVIV AND NORA BOUSTANY IN BEIRUT

HOPES that a peaceful agreement to resolve the crisis in Beirut might be at hand appeared dashed last night by General Ariel Sharon, the Israeli Defence Minister, who said: "There is no agreement, no arrangement" for the peaceful evacuation of the Palestinian fighters from the Lebanese capital.

After a three-hour meeting in Beirut with Mr Philip Habib, the U.S. special mediator, and as sporadic skirmishing between the Israelis and the besieged members of the Palestine Liberation Organisation (PLO) continued, Gen Sharon said that the main problem was that no Arab country, apart from Jordan, was willing to give the guerrillas sanctuary.

Jordan would only accept a small number. The majority had nowhere to go, so it was impossible to talk about there being a plan to evacuate the PLO, the minister said.

At the same time, he said, "the terrorists are on the verge of being uprooted from Beirut one way or another."

The Palestinian leadership is widely thought in Beirut to have agreed at last to leave the city. Although the precise details of the deployment of a multinational force are not known, it is believed that a few PLO fighters would leave, pending the arrival of the first contingent—probably French paratroopers—of a force which would include U.S. troops. The French soldiers being in place, the majority of the PLO would then withdraw.

The official Beirut radio carried reports claiming that a list of thousands of names of Palestinian guerrillas had been prepared and handed to Mr Habib.

Gen Sharon is known to be the main advocate in the Israeli Cabinet of a military, rather than a diplomatic, solution to the two-month-old seige of Beirut.

The Israeli Cabinet appeared, however, to have concluded its marathon five-hour session yesterday divided over the plan for evacuation, not with standing Gen Sharon's later statements after he met Mr Habib.

Mr Menahem Begin, the Israeli Prime Minister, is thought to have spoken in Cabinet in favour of the diplomatic process. Responding to an urgent message from Mr George Shultz, the U.S. Secretary of State, Mr Begin told him that Israel would be willing to permit a multinational force to enter Beirut after most of the PLO fighters had left.

This was seen as a move part-way towards the proposal by Mr Habib, who has suggested that some PLO forces leave before the entry of the international troops and that others depart afterwards.

However, the sweetness and light emanating from the Prime Minister's office were not forthcoming from the Defence Ministry. Even before General Sharon's remarks, which followed the meeting with Mr Habib, an unnamed "official," believed to be General Sharon, described the latest talks about PLO agreement to evacuate as a "fraud." He accused Mr Habib of deceiving both Israel and hte U.S. about PLO intentions.

He said that, by endorsing such a plan, the American envoy was seeking, in effect, to create a situation in which only a few hundred Palestinian fighters would leave the Lebanese capital, while the bulk of the PLO force would remain, sheltering behind the multinational force.

The PLO leaders are widely thought to believe that to attempt to withdraw without a proecive screen beween hteir forces and the Israelis would be tantamount to invitation of a massacre by the Israelis. Among Palestinians, it is believed that Mr Habib has personally accepted that most of the Palestinians probably cannot withdraw without a multinational force in place.

The fact that France might head the multinational force appears to have enraged Gen Sharon, who believes that this is another attempt to save the PLO from total evacuation or destruction.

In his message to hte Secretary of State, Mr Begin did say that Israel would not accept French troops in Beirut without prior agreement from Jerusalem.

As though to confirm Israel's determination on this point, there were reports yesterday that Israeli troops had taken up positions near Jounieh, north of Beirut, to prevent a landing by French paratroopers.

French troops stand by

● French troops from regiments trained for quick deployment are standing by to take part in an international peace-keeping force in Beruit.

● Jordan said it would take some of the Palestinian guerrillas besieged in West Beirut but did not give any numbers.

● In West Beirut there is little doubt among observers that the PLO is now sincere in its declared willingness to remove its forces from Beirut despite two months of haggling.

● Mr Moshe Arens, the Israeli ambassador to Washington, expressed concern at the participation of French troops in any peace-keeping force. He did not have "total confidence" in French objectives, he said.

● President Reagan has postponed a holiday in California, due to start on Wednesday, partly as a result of the continuing tension. The main reason, however, is his desire to lobby Congress on the U.S. Budget.

NHS action goes ahead despite Fowler criticism

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE Government yesterday launched a strong attack on the industrial action in the National Health Service which today enters its most prominent phase with five days of intensified action aimed at reducing all hospitals to accident and emergency services only.

The criticism of the health workers' pay campaign took a new form when Mr Norman Fowler, Social Services Secretary, gave fresh figures which he said showed the real impact the industrial action had on patients.

Mr Fowler said that the estimates, based on information provided by health authorities over the past few weeks, showed that as a result of the industrial action:

● Hospital waiting lists in England had increased by about 65,000.

● Around 60,000 operations in England have been postponed or cancelled.

● About 75,000 out-patient appointments have been postponed.

According to Mr Fowler, these figures show "once more how false the claim is that industrial action does not affect patients. Industrial action is affecting patients, and five days of further action will have even worse effects."

Mr Fowler did not believe that the new round of industrial action for such a lengthy period could be justified. He said: "I very much hope that Health Service staff will continue to work today" and that their unions return to negotiations.

He repeated that the current offers—7½ per cent for nurses, with 6 per cent for most other workers, at a total cost of £400m—were final. He said: "There is no more money for further improvement."

However, health service unions were critical of Mr Fowler's figures. The National Union of Public Employees said that government cuts in NHS funding, forcing some hospitals or their departments to close, were having a much worse effect on patient care than the industrial action.

The Government's new figures are likely to provoke a further row with the unions after the dispute between the two sides over the pay figures used by the Department of Health and Social Security in national newspaper advertisements last week.

Even the moderate, non-TUC Royal College of Nursing was critical of the advertisements. Miss Gillian Sanford, RCN deputy general secretary, described them as "grossly misleading," and said the pay fiures were "inflated" by payments for special duties which many nurses did not do.

Mr Fowler, in a radio interview yesterday, defended the figures, though he said they had been presented in a way in which the public would understand them.

National newspaper employers seem likely to seek an injunction restraining print unions from taking action in support of the NHS workers if they pursue their threat to ball all newspaper production on Tuesday night.

Fleet Street electricians, who are also threatening to stop work tomorrow, are meeting tonight, though there were some suggestions yesterday of an intervention against the action by Mr Frank Chapple, general secretary of the Electrical and Plumbing Trades' Union.

While both the Fleet Street electricians and Sogat '82 branch have gone further than the previous tactic of seeking space in newspapers for a statement in support of the NHS workers, the National Graphical Association is pressing for newspapers to run a TUC statement on Tuesday—the same day as the papers are due to be stopped.

The prospect of the NGA joining the action is raised in a circular from Mr Joe Wade, NGA general secretary, which states: "If there is a refusal on the part of the management of the national newspaper to publish the statement, members are to be instructed that they are not to co-operate with publishing the newspaper on the day in question."

In the NHS dispute itself, many hospitals will be on strike this week, and the unions predict that the majority will be reduced to accident and emergency-only cover.

Meetings and rallies across the country throughout the week will culminate on Friday with a demonstration in Whitehall and the presentation of a letter by nurses and other NHS workers in support of their case to the Prime Minister at 10, Downing Street.

EEC looks at US threat to steel pact

By Our Foreign Staff

EUROPEAN COMMISSION officials were yesterday attempting to assess the threat to the new EEC-U.S. steel pact posed by the rejection of the deal by Mr David Roderick, chairman of U.S. Steel.

The export restraint agreement, which effectively cuts European steel shipments to the U.S. by 10 per cent from present levels until the end of 1985, was dismissed by Mr Roderick as "neither fair nor equitable."

Brussels' efforts to defuse the transatlantic steel dispute have now been thrown into confusion.

In addition to being an invitation to other leading American steelmakers to veto the deal struck last week between the European Commission and the Reagan Adminsitration, the U.S. Steel rejection makes it less likely that the major EEC steel producers will this week be able to agree concerted cutbacks, although these are crucial to any overall settlement.

Viscount Etienne Davignon, the EEC Industry Commissioner, said at the weekend that September 15 was the "ultimate deadline" for approval of the agreement which seeks to settle the dispute over cheap European steel exports. He said the Community had not

Continued on Back Page

Pertini bids to form Italian government

BY RUPERT CORNWELL IN ROME

PRESIDENT Sandro Pertini today starts what promises to be a particularly difficult round of consultations to form a new Italian government and stave off elections this autumn, 18 months before they constitutionally fall due.

The fate of the first administration in 35 years not headed by a Christian Democrat was sealed on Saturday when Sig Giovanni Spadolini, leader of the Republican Party and prime minister for the last 13 months, presented the resignation of his five-party coalition.

Its collapse was inevitable when the Socialists, the second largest member party, endorsed the resignation en bloc of their seven Cabinet ministers, following a parliamentary defeat last Wednesday.

Two options face the president: either the formation of a new coalition along the lines of the outgoing administration; or the dissolution of parliament.

The president has said he will do all in his power to avoid new elections, and most other parties, in public at least, support him.

But the Socialists, confident of a strong showing at the polls, are talking openly of going to the country. Sig Rino Formica, the Socialist Finance Minister, declared at the weekend that the paralysis of a 45 to 70 day election campaign was preferable to the extension of a legislature "no longer capable of governing."

After the first formal round of discussion, the president should be ready by mid-week to name a prime minister designate. According to convention, his choice is likely to fall upon the outgoing prime minister, allowing Sig Spadolini first chance to succeed himself.

Should he fail, it is expected that Sig Pertini will name a leading Christian Democrat. Beyond that, the prospect of elections looms large.

Both largest parties, the Christian Democrats and Communists, are anxious to avoid an electoral battle at this stage; the former because Sig Ciriaco de Mita, leader for just three months, is trying to push through a major internal re-organisation, while the Communists are still in some disarray following the Polish crisis and January's rift with Moscow announced by Sig Enrico Berlinguer, the PCI leader.

Both trade unions, anxious to press ahead with new wage contract negotiations, and industry are alarmed by the political vacuum and prospects of elections.

Sig Vittorio Merloni, the head

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Railbus project to be approved but BR lacks development cash

BY PHILIP BASSETT,

THE GOVERNMENT will announce soon its approval of a new portion of capital investment for British Rail—the first for nine months and the first since the start of the rash of railway strikes this year.

However, even after Cabinet approval, BR will be unable to proceed immediately with the work involved. Because the financial effects of the strikes have been so damaging—BR estimates they lost it about £240m—BR does not have the money for the project.

An announcement is to be made soon, by the Department of Transport, of Government approval for the manufacture of the double-car, lightweight Railbus, which matches a bus body to a BR-made chassis to run on the railway. It is powered by a conventional diesel engine.

Mr David Howell, the Transport Secretary, has already sent the terms of the Government's qualified approval of the scheme by letter to Sir Peter Parker, the BR chairman.

BR has known of the Government's decision for some time, but an announcement has been delayed because Ministers felt it would create the wrong impression if approval of investment were given while the Associated Society of Locomotive Engineers and Firemen were on strike over flexible rostering.

The approval is to build 20 pre-production, two-car, lightweight tran buses, based on the design of BR's prototype Railbus, which has been successfully tested on the Ipswich-Lowestoft line in East Anglia and the Bristol-Severn Beach, Avon link line. The Railbus has been sold to Northern Ireland Railways.

However, BR said yesteday: "Because of its financial problems, the BR Board cannot say when work will start on the order." This is a covert reference to the cost of the strikes, which have been so financially damaging that the Board has not even the relatively small amount of money—£6m—needed to pay for the Railbus programme.

A qualification to the approval, which BR is now trying to meet, related to "future manufacturing options," BR said yesterday. It is understood this means that no final decision has yet been taken on which company should partner BR in building the bus body. All the prototype bodies have been manufacatured by Leyland Vehicles (LV). BR and LV have thus used spare manufacturing capacity. A separate version of the Railbus has been designed for export.

The new Railbus, when built, would suceed the rapidly-expiring Diesel Multiple Unit (DMU) trains, which are BR's workhorses on rural lines. Almost all of BR's 3,096 DMU's are between 21 and 25 years old.

Senior BR officials believe that the Railbus is crucial to put many rural services into profit, and thus keep them in being. A Railbus can be produced for about a third the cost of a DMU, and its fuel consumption is about three times better.

Sir Peter Parker has seen the Railbus as the resolution of the problem of respecting tight Treasury financial limits while striving to keep open loss-making rural lines.

Mr Howell's announcement will mark the first Government approval of BR investment since £30m was made available last December for East Anglian electrification.

BR has before the Government a case for the approval in principle of electrification of the main line on the East Coast, and a firm submission has been made for electrification of the Hitchin-Huntingdon line. BR is preparing a submission for the Huntingdon-Leeds line.

The BR Board is about to submit to Mr Howell its own proposals for a 10-year rolling programme of electrification, which the Government requested last year when it gave cautious approval for a piecemeal electrification programme, linked step-by-step to improvements in railway productivity.

British Rail categorically denied yesterday that Sir Peter Parker had been ordered by the Government to sell Sealink Ferries within 12 months. "There has been no instruction, secret or otherwise."

It was true that Sir Peter had been asked to produce a list of options and that Mr Howell expects to have them by early autumn, he added.

Denying a Sunday newspaper report about the alleged instruction, the spokesman said: "It would not be a terribly sensible thing to do because it would rather make it a buyers' market."

There was nothing to stop a sale within 12 months, however, if an offer acceptable to all parties were made, he added.

OVERSEAS NEWS

S. Africa may temper Kwazulu deal

BY BERNARD SIMON IN JOHANNESBURG

THE South African Government may be willing to compromise on its controversial decision to cede a part of the Kwazulu tribal homeland to Swaziland.

According to weekend Press reports, Pretoria has agreed to appoint a seven-man joint commission of South African and Kwazulu Government representatives to investigate the land issue.

The commission proposal was reportedly discussed at a meeting in Pretoria last week betwen the Zulu monarch, King Goodwill Zwelithini and South Africa's Prime Minister, Mr P. W. Botha.

The King said he was satisfied with the outcome of the talks but no details were disclosed.

South Africa's decision to go ahead with the transfer of the Ingwavuma district to Swaziland has been widely criticised both in and outside the country. The Zulu leader, Chief Gatsha Buthelezi has warned of widespread violence if the deal goes ahead.

One possible compromise being mentioned is that, instead of transferring the whole of the Ingwavuma region to Swaziland, South Africa would cede only a narrow corridor on the Mozambican border, thereby giving Swaziland access to the sea.

A settlement of the Ingwavuma issue would not, however, solve the issue of the Kangwane "homeland" in the Eastern Transvaal, which Pretoria has said it also intends handing over to the Swazis.

● Mr Jobo Rampeta, Lesotho Minister of Works, was assassinated on Saturday in an ambush near his home in the northern part of the country.

Two other people were also killed in the incident, the latest in a mounting wave of violence directed against Chief Leabua Jonathan's Government.

Chief Jonathan's country residence was attacked by gunmen last month.

The attacks were probably mounted by the Lesotho Liberation Army (LLA), military wing of the banned Basutoland Congress Pary (BCP) which aims to overthrow Chief Jonathon's Government.

Chief Jonathon annulled an election in 1970 when it appeared that the BCP had won a majority of the votes.

Meanwhile, another South African security detainee, Mr Ernest Depale, has died in police custody, the head of the Security Police, Gen Johan Coetzee said yesterday.

Gen Coetzee said Mr Depale had hanged himself in his cell at police headquarters in Johannesburg, the same building where Dr Neil Aggett, a trade union leader, died in detention last January.

According to Gen Coetzee, Mr Depale had made a confession to a magistrate shortly before his death.

About 50 people have died in police custody in the past 15 years. With the exception of Dr Aggett, all have been black. An inquest into Dr Aggett's death will be resumed in a Johannesburg magistrates court next month.

U.S. industry shows 'no evidence of recovery'

BY PAUL TAYLOR IN NEW YORK

THERE IS "no evidence at all of any pick-up in U.S. industry," suggests a gloomy report, published today, by the National Association of Purchasing Management.

The report says new orders, which are vital to industrial activity, are continuing to fall and suggests that 36 per cent of the 250 companies surveyed last month said summer shut downs were expected to be longer than usual this year. This compares with 6 per cent last year and 7 per cent two years ago.

Overall the association's index of industrial activity suggests that the decline in the U.S. economy was less sharp last month than in June but that production is still falling.

The association says the only favourable sign to emerge from its survey is that slightly more companies appear to have been able to increase their prices.

About 10 per cent of the companies surveyed said they had raised prices, up from 8 per cent the previous month. But 28 per cent said prices were lower, compared to 30 per cent in June.

The association's report also reveals that inventories are continuing to decline although the decline in July was about the same as in June. This means that the raw material stocks have fallen almost every month for the past 34 months.

At the same time, the survey shows that purchasing managers remain cautious about how far ahead they commit their companies. The report says that "buying off the shelf" when needed is still prevalent.

On employment the association says that in July only 5 per cent of companies surveyed reported bigger payrolls, down from 8 per cent in June, while 43 per cent said employment was lower, compared with 45 per cent in the previous month.

Corsicans set to elect first regional assembly

BY DAVID MARSH IN PARIS

FRENCH POLLING managers were yesterday pinning hopes for the success of the Corsican regional elections on the afternoon break in the hot sunny weather which it had been feared would keep voters on the beaches.

Two hours before polling was due to close at 7 pm, the turnout rate had risen to 57 per cent from 29 per cent registered at midday, according to estimates by the Interior Ministry.

The Government is hoping for a relatively high turnout on the island—where abstentions are traditionally high—in line with its aim of "politicising" at least part of the Corsican autonomist movement.

Political campaigns in the past have often been fought as much by bombing as through the ballot box. But indications yesterday were of a relatively trouble-free polling day.

Just over 200,000 Corsican electors, called upon to choose a new regional assembly, faced a confusing line-up of 17 different "lists" of candidates competing for 61 assembly seats.

The election is taking place two years ahead of similar ballots in the 21 metropolitan French regions which are being held as part of the Government's decentralisation policy.

The performance of the autonomist candidates who have returned to the voting lists—although the FNLC is staying away—will help gauge the strength of nationalist feeling.

But national lessons will be hard to draw. The Right-wing opposition parties have traditionally been strong in the south of the island. But the Socialists are under-represented in Corsica compared with national level, the main Left-wing party being the MRG, the minor radical partner in the Paris coalition.

Armenians killed nine in Ankara gun battle

BY METIN MUNIR IN ISTANBUL

THE RAID on Ankara's Esenboga Airport by two Armenian gunmen last Saturday was the most violent and audacious act of terror to be staged by Armenian terrorists in their nine-year-old campaign of vengeance against Turkey.

Officials said nine people lost their lives and more than 70 were hurt in the event which started when the gunmen threw bombs and opened fire indiscriminately in the airport's overseas departure lounge. The dead included three Turkish policemen and a terrorist. The second terrorist is in hospital recovering from bullet wounds. He will go on trial for his life.

The authorities are keeping the identities of the terrorists, believed to be non-Turks, secret.

There was speculation that the raid could have been a badly timed attempt on the life of Mr Bulent Ulusu, the Turkish Prime Minister, who was due to arrive at Esenboga about the time the carnage started. Mr Ulusu was on his way back from Tehran, where be offered to mediate in the war between Iran and Iraq. His aircraft was diverted to a nearby military airport.

The two terrorists are believed to be members of the Armenian Secret Army for the Liberation of Armenia (Asala), one of the most active and violent of the half dozen such terrorist organisations.

Armenians have murdered 21 Turkish diplomats or their dependents since 1973 in the U.S., Western Europe and the Middle East. The first murders were committed by an old Armenian in Los Angeles. He killed two Turkish diplomats at his dinner table.

The terrorist groups have said that their purpose is to take revenge against the massacre of their brethren in Eastern Turkey in the early part of this century by Ottoman sultans. They also want Turkey to cede what they claim to be their motherland, a mountainous and remote area in the east, bordering Soviet Armenia.

Argentina confirms credit move

By Jimmy Burns in Buenos Aires

ARGENTINA has again declared its intention of renegotiating part of the $15bn (£8.7bn) payments due on its external debt of $36.6bn by the end of this year.

But there is still no sign emerging from Buenos Aires to dampen fears that Argentina might default on its debt in the face of the economic sanctions still maintained by Britain.

Sr Domingo Cavallo, the governor of the Argentine central bank confirmed at a weekend Press conference that Argentina was seeking new commercial credits from international banks rather than a standby credit from the IMF.

"But the return to Argentina to the international money markets will depend on the degree of understanding we find among our creditors," Sr Cavallo said.

Argentina has, however, reportedly been told by international bankers that no formal negotiations on fresh credits can get under way as long as the UK assets freeze, imposed at the start of the Falklands crisis, remains in force.

Sr Cavallo estimated that Argentina could repay about half of the $2.53bn of interest due on its total foreign debt in the second half of this year without international assistance. The central bank is predicting a second half trade surplus of $1.3bn. Sr Cavallo is forecasting a trade surplus of $3.12bn for the whole of 1982. The country's total reserves at the end of June are put at $3.69bn.

Argentina is also due to repay $10.23bn of borrowed capital and $2.31bn of debt arrears by December 31.

Talks on Namibia

The six "front-line" African leaders have called on Western nations trying to find an acceptable formula for the independence of Namibia (South-West Africa) to stop raising the issue of Cuban troops in Angola, Reuter reports from Tripoli.

Tanzanian Foreign Minister Salim Mohamed Salim, quoting the leaders at the weekend, said the prospects for negotiations were "bright" but said the question of Cuban troops was not related to a call by the Security Council for he independence of Namibia.

French uranium offer

M Claude Cheysson, French Foreign Minister, yesterday expressed his country's willingness to supply the U.S.-built nuclear power station at Tarapur, in the Indian state of Maharashtra, with enriched uranium without insisting on full international inspection of all India's nuclear facilities. K. K. Sharma writes from New Delhi.

The French supply of enriched uranium was cleared during Prime Minister Indira Gandhi's recent visit to the U.S. following Washington's refusal to continue shipments, despite a 30-year agreement, because of its policy on nuclear non-proliferation.

Surrender deadline

Kenya's Defence Department has reported that a "substantial" number of air force personnel have not heeded the government order to surrender following last week's coup attempt. It has given them until 6pm today to give themselves up, AP reports from Nairobi.

Tokyo peace bid

TWO senior Japanese officials yesterday left for Peking to try to settle the row over new Japanese school textbooks glossing over the country's war record, Reuter reports from Tokyo.

Summit switch call

Cuban President Fidel Castro, current head of the non-aligned movement, has called for a meeting of foreign ministers this month to discuss moving the movement's September summit, due to be held in Baghdad, Reuter reports from Havana.

Refugees stream out of West Beirut 'ghost town'

BY NORA BOUSTANY IN BEIRUT

AIDA Hannoun, and her teenage daughter, Rana, dazed and hurt, dragged their suitcases as they arrived at the Galerie Semaan crossing from West Beirut yesterday.

Breathless, having walked under Beirut's scorching August sun for half an hour, Mrs Hannoun said she had left her home near the Bristol Hotel off Verdun Street in West Beirut because buildings near it were bombed and "there is no water, no food, no electricity."

"It's like a ghost town," she added, gasping for breath. A stream of refugees, in no better condition, followed her. Helmeted military police with red armbands from the Lebanese forces, an alliance of Christian militias, checked luggage and travel documents at the strictly supervised exit from West Beirut.

Residents had started arriving before orders were given to open the crossing to traffic so bundles of belongings, suitcases, television sets and mattresses had to be hand carried.

Eager taxi drivers clamoured around, grabbing the baggage of potential passengers before asking. The local taxi business is thriving. Fares have increased tenfold. The usual rate of L£6 per passenger to the port city of Sidon has now jumped to L£60, for a shared ride.

The military police, in no cheerful mood, nervously shooed residents way from the rubber tyre demarcation lines along the road, blocking entry into West Beirut.

Galerie Seamaan was the only way out of that beleaguered part of the city yesterday. A museum, located on the border of the narrow Israeli-held no man's land strip and the Beirut harbour, was closed for the day.

Motorists were ordered to park some 200 yards east of Galerie Seamaan—in fear of car bombs where crowds of people were gathered. Opposite the checkpoint, about 100 people waited in the sweltering heat for friends and relatives to arrive.

Most Lebanese in the beseiged capital hoped to join families or friends residing in the mountains around Beirut or in south Lebanese villages.

Hajjeh Shukr, 44, a widow and mother of four, however, said she was heading for Baalbeck, where she heard there were refugee centres. Hajjeh's home in Hay al Sullom, bordering the Palestinian refugee camps, has been destroyed. "I used to work in homes as a charwoman, but now all the families who employed me have left. How am I going to feed my children?"

Most refugees said they came from Lailaki, Chiah or Hay al Sullom, all areas on the south eastern outskirts of the city, in the line of fire of Israeli gunners and Palestinian guerrillas entrenched north of Beirut airport.

Several families were running away from Sanayeh, where Israeli jets bombed an eight-storey building last Friday, killing and wounding an estimated 150 people.

Most of the guerrillas had left the area and moved on but old people with no means to travel, had stayed behind, they said.

Clutching nylon bags and ushering a young mother with a baby in her arms, Elwan Hussein said he was going home to Iraq, but would first stop in Damascus. When approached, the young mother trembled and hid her face. "I am going nowhere. I am from Jordan," she stammered.

"Please let me take care of my baby," she pleaded. Her edginess and hesitation were not surprising. She had a Palestinian accent.

PLO fighters ready to pull out

BY JIM MUIR IN WEST BEIRUT

THERE CAN be little doubt that over the past two months of blockade, bombardment and political haggling, the PLO has been dragging its feet and clinging on in Beirut, in the hope that the cavalry would arrive in the shape of Arab military and economic action. There can be equally little doubt that, now that it is clear there is no cavalry in the offing, the PLO is sincere in its declared willingness to pull all its forces out of Beirut.

This has been evident from the sudden spate of concessions offered by the PLO in the indirect negotiations with Mr Philip Habib, the special U.S. envoy, which have made the present evacuation plan a real possibility — provided the Israelis can be induced to accept the PLO's one cardinal condition.

That is that international forces should be on hand during the Palestinian withdrawal, or most of it, for fear of a massacre at Israeli hands when the fighters pull back and regroup.

The PLO's sincerity was attested in a bitter editorial published in its own internal newspaper, Filastin al-Thawra, yesterday. It implied the strongest censure of Syria, the Arabs and the Russians, for failing to go beyond empty words and crocodile tears, in their support for the Palestinians.

"We took the decision to withdraw militarily from Beirut because, after the blatant Arab fecklessness, the destruction of Beirut over the heads of half a million Muslims was no longer just a possibility, it was an established fact," the paper wrote.

Mexican peso devaluation 'averted default'

By Ronald Buchanan in Mexico City

MEXICO WOULD have had to default on its $80bn (£46bn) foreign debt but for last week's official devaluaion of the peso and partial imposition of exchange controls, President Jose Lopez Portillo, said at the weekend.

Sr Lopez Portillo was speaking at specially convened meeting of the cabinet, labour and business leaders, and the editors of national newspapers.

The meeting was an indication of the gravity of the financial crisis. Sr Lopez Portillo admitted that an earlier devaluation, in mid-February, "didn't solve the problem; on the contrary it made it worse" by unleashing a wages-prices spiral.

The new devaluation—a free float which saw the peso drop at first by 30 per cent, against the dollar—was accompanied by the introduction of a Government-supported preferential rate on essential imports.

Sr Lopez Portillo defended this breach of Mexico's tradition of exchange freedom on the grounds of national interest. The Government, he said, could not continue to subsidise the purchase of dollars for non-essential purposes. Citizens would still be free to buy property abroad, he said, "but let their dollars cost them what the imprudence of the Mexicans set as the price."

The President traced the most immediate problem back to the announcement, a week ago, of sharp increases in the controlled prices of basic goods, such as petrol and tortillas. Fears of an inflationary spiral has led to a flood of "hundreds of millions of dollars out of the country in just a handful of days."

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WORLD TRADE NEWS

U.S. disappointed at progress in opening up Japanese market

BY RICHARD HANSON IN TOKYO

A TOP U.S. trade official, after four days of talks in Tokyo, said yesterday that very few new market openings were apparent, and few trade problems completely resolved, since the Japanese Government announced a second import liberalisation package in May.

Mr James M. Murphy, Jr., assistant U.S. special trade representative, said, however, that the "dialogue" with the Japanese Government on implementing various parts of the trade package was being taken very "seriously."

Changes in Japan's customs clearance procedures, part of an earlier trade package by Japan, was one example of the "bright spots" of progress over the past year or so.

The U.S. is unhappy with the slow progress in resolving other trade problems. The issue of cigarette imports was given as one example.

The strongest criticism, however, was reserved for Japanese behaviour in the area of industry cartels and import associations which U.S. officials say present barriers to goods from outside the country.

U.S. deputy assistant Secretary of Commerce, Mr Clyde Prestowitz, expressed strong disapproval of the way the Japanese Government enforces anti-monopoly laws. The Japanese Fair Trade Commission (FTC) has the "right and responsibility" to enforce these laws.

Specifically, the U.S. complained about proposed import associations for the petrochemical industry.

Import associations for industries such as paper and pulp and timber also came under fire.

Mr Murphy urged the Japanese Government to revise a law which allows depressed industries to form cartels. Japan has, in various forms, about 490 cartels, the U.S. side complained.

The U.S. delegation is a working committee of the U.S.-Japan subcommittee on trade, which was established last year. Mr Murphy said the mission would visit Japan frequently, perhaps each month, to continue talks on implementing parts of the import promotion package and other unresolved trade problems.

In October, the two sides will begin an important round of negotiations on liberalising the import of beef and oranges. These, and other agricultural issues, have in recent months become the focus of the simmering bilateral trade dispute.

Export credit subsidy cut by fall in interest rates

BY PAUL CHEESERIGHT

GRADUAL but significant savings of public money used to suosidise fixed rate export finance—about £1bn over the last two years—have been foreshadowed by the downward movement of interest rates.

This movement has taken place as the international guidelines for export credit interest rates have moved upwards, thus narrowing the gap in costs to be met by the Treasury through the Export Credits Guarantee Department (ECGD).

The interest rate paid by banks to obtain funds for export finance averaged 12.143 per cent for the period July 19 to August 3, according to ECGD which published last week for the first timo a new reference rate.

The reference rate will be calculated each month on the basis of the experience of six banks active in the export-finance seclor.

But the borrowing rate for countries granted export credits, since July 19, has ranged from 10 per cent for relatively poor countries to 12.4 per cent for relatively rich countries taking credits with a maturity of longer than five years.

This is the first time in recent years that British domestic interest rates have been so nearly aligned with the permissible minimum export credit interest rates under international guidelines.

The gap between the cost of obtaining funds for fixed rate export finance and the charge to horrowers of export credits was at one stage as high as seven percentage points.

The result of this gap has heen a steadily increasing Treasury subsidy. In the year to last March it is estimated at more than £500m. In the year to March last year it was £461m and in the year previous to that, £357m.

France's Kier group wins £54m Hong Kong contract

BY OUR WORLD TRADE EDITOR

KIER International, part of the French Kier group, has won a £54m contract, in a joint venture with Gammon (Hong Kong), to build the cooling circulation system for China Light and Power's Castle Peak "B" power station in Hong Kong.

Tenders for the order were called by China Light and Power about five months ago. Following the initial submission, Kier and another contractor were called in for further technical and commercial discussions.

The main opposition to Kier winning the contract is thought to have come from Japan. But Kier's contract emphasis the dominance of British companies at the Castle Peake "B" development.

GEC is the main contractor for the project and Babcock Power the main sub-contractor. Financing of $1.8bn was arranged in the City of London.

In the case of the cooling system contract, however, finance is being arranged by China Light and Power and no export credits from the UK are involved.

Kier, which has been working in Hong Kong consistently for the last seven years, is an equal partner with Gammon in the joint venture but remains the sponsoring company and will provide the senior management for the contract.

The two companies have worked together before, most recently on stations and tunnels for the Hong Kong Mass Transit Railway Corporation. The advantage for Kier of such an arrangement is that it enables the quick mobilisation of local resources in the build-up to executing the contract.

Airbus deliveries to Libya delayed

By David White in Paris

MAINTENANCE OF a U.S. embargo on supplies of civil aviation equipment to Libya is holding up deliveries on an Airbus contract estimated to be worth some $500m (£292m).

Airbus Industrie, the joint venture based at Toulouse, has been particularly secretive about the Libyan order and has never published target delivery dates.

However, trade reports at the end of last year, when news of tho contract first leaked out, said that the first two aircraft were scheduled for delivery in June this year.

The order, which has since heen listed in Airbus Industrie's official sales tables, involves six A300 Airbuses and four of the smaller A310 aircraft, which are not dno for certification until March next year. All are firm orders.

According to the reports, the remaining aircraft were to have been delivered at a rate of two per year to Libyan Arab Airlines.

Engines for both the A300 and the A310 are supplied by either Pratt and Whitney or General Electric of the U.S. There is no other alternative engine.

The partners in the building of the Airbus are Aérospatiale, the State-owned French concern headed hy President Mitterrand's hrother, General Jacques Mitterrand; Messerschmitt-Bölkow-Blohm of West Germany through Deutsche Airbus; British Aerospace; and the Spanish concern CASA. Fokker of Holland and Belairbus of Belgium are associate partners.

Philippines wooed by Moscow

By Our Manila Correspondent

THE Soviet Union, after years of trying, is on the verge of gaining a toe hold in Philippino industry and investments.

Manila's Board of Investments (BOI) has cleared the way for the Soviet Union to begin feasiblity studies for a 1m ton coal-fired cement plant to be huilt in the tiny island of Semirara, off Negros Island in Central Philippines.

The project holds out the prospect of a barter arrangement wherehy the Philippines could pay for the plant with coconut oil, an attractive scheme at a time when the country is finding difficulty in getting foreign loans and its commodity exports are depressed.

The Soviet entry means that a similar plant with the same capacity planned between a British company, Philipp Brothers, and a local conglomerate, Construction and Development Corporation of the Philippines (CDCP), has dropped a notch down, a hoard official said.

The British-Philippine joint venture Negros Cement Company, initially estimated at $58.8m (£34.4m) has been asked to delay the project by one year till 1986 to give the Soviet Union a headstart, the hoard official added.

The board indicated that the decision to let the Soviet Union in was a political decision.

The financing terms are still to be negotiated with a Soviet team this month, Mr Roberto Ongpin, the Minister for Trade and Industry, announced.

The Soviet entry, however, is being treated with great caution, mainly because of security considerations.

The Philippines, a close ally of the U.S. which maintains two large bases, has been resisting Soviet advances for closer commercial ties for years.

On the state of Soviet technology, Mr Ongpin was quoted as saying that its cement production capabilijes were "quite adequate."

He expressed confidence that the Philippines, which has long been a cement producer, has the technology to donhle-check the Soviet-designed plant.

It was on the strength of security objections that the Soviet Union lost is first bid to build a 300 MW coal-fired power plant in Batangas province, south of Manila. It was awarded to Marubeni of Japan.

Board officials said the power plant would entail Soviet technicians staying in the country for at least five years.

Paul Cheeseright looks at the likely EEC challenge to Reagan's controls

Pipeline embargo prompts legal misgivings

THE EEC's legal challenge to the Reagan Administration's embargo on supplies for the Siberia-West Europe pipeline chimes with an internal debate which has been taking place within the U.S.

U.S. lawyers, in and outside the Reagan Administration, have expressed misgivings about the legality of the embargo, not only in terms of the conflicts involved with European powers, but in terms of its consistency with U.S. law.

Some of these misgivings, marshalled into legal argument with the appropriate citing of precedents, will be used by the EEC when, probably later this week, it sends to the Commerce Department in Washington a firmly worded critique of the embargo.

The Reagan Administration's legal vehicle for the imposition of the embargo is the Export Administration Act 1979.

The policy written into the Act is that there should be controls on U.S. exports only when exports make a military contribution to another country that could affect U.S. security and when controls are necessary to further U.S. foreign olicy.

This opens the way in the Act to provisions for the grant of export licences and the steps necessary for the Secretary of Commerce to take in the imposition of national security or foreign policy controls.

The pipeline embargo was imposed as a foreign policy control. In its two stages, the embargo has extended the list of oil and gas equipment and technical data available for export to the Soviet Union. It has expanded the export and re-export control regulations to apply to U.S.-owned or controlled foreign firms. It has extended control to U.S. licensed products.

Expectations

So the question has been immediately raised as to the validity of contracts signed by European companies, like John Brown Engineering of Clydebank, to use U.S. technology and to buy goods from the U.S. for onward transmission to the Soviet Union. The contracts were in place before the Reagan Administration imposed the embargo.

Mr Douglas Rosenthal, a former senior official of the U.S. Justice Department, noted to the Senate Judiciary Committee last March that contract provisions are construed in terms of the reasonable expectations of the contractiog parties.

But many U.S. export contracts have in them, to protect U.S. sellers, a provision that the recipient of the goods or technology will abide by the U.S. export and re-export regulations.

Mr Rosenthal suggested the idea of the U.S. licensor having a perpetual veto over future use of the technology in anticipation of possible future export controls is dubious.

"It is even more doubtful that such a private contractual right by itself can validate, as a matter of law, any new, not easily anticipated, U.S. controls over the foreign licensee."

But the EEC will take this point further. In its comments on the embargo to the Commerce Department, it will argue that insofar as such terms of contract are operative, they work as a matter of civil or contract law.

This does not mean, the EEC will say, that they have the effect of extending U.S. sovereignty outside the U.S. Sovereignty is not negotiable.

In turn this strikes into the heart of the argument between the U.S. and the European powers with contracts for the pipeline affected by the embargo. This is the degree to which the U.S. can legitimately extend its jurisdiction to control economio activity and policy outside its borders.

Consequences

"Congressional intent with respect to proper exercise of jurisdiction by the executive branch (of the U.S. Government) is not crystal clear," said Mr Rosenthal with references to the Export Administration Act. But Congress did not write a blank cheque.

Congress did not say that U.S. law could be applied regardless of the consequences, regardless of whether the laws of other nations would be overridden, and regardless of what U.S. law would say if the situation was reversed, Mr Rosenthal observed.

His argument was that use of the Act, when it affected other nations, needed to be consistent with "the conflict of laws principle of jurisdiction, applied by U.S. courts when U.S. extraterritorial enforcement is aought in litigated cases."

This is a reference to the 1976 Timberlane case judgment. It said that the national interests of sovereign powers had to be balanced. Put another way, the U.S. should not seek to exercise its laws, outside its borders, unless its interests outweighed those of the foreign powers involved.

In the pipeline case, France, Germany, Italy and the UK—the countries most affected by the U.S. embargo—would inevitably argue that their interests with some £5bn of business at stake, not to speak of gas supply contracts, are more closely involved than those of the U.S.

They will also note, like Mr Rosenthal, that the foreign boycott provisions of the Export Administration Act forbid those under U.S. jurisdiction to comply with the foreign export controls of nations seeking to implement foreign policy at U.S. expense.

SHIPPING REPORT

Market suffers summer slump

BY ANDREW FISHER

THE SHIPPING world is going through a bad touch of summer blues. The trouble is that the same was true of last year and no improvement seems in sight.

Weekly shipbrokers' reports have long made for some fairly dismal reading, not the sort of stuff to set you up for the weekend.

The latest hatch is no exception. Galbraith Wrightson, talking about last week's tanker market, said: "As things are today, it looks as though the patient now needs the 'kiss of life' to enable it to pull through."

With the summer holiday season in full swing, trading has been slack in a market which has already suffered long and painfully from low chartering rates.

Galbraith said the marked difference in rates hetween Kharg Island, affected by Iran-Iraq hostilities and thus commanding a premium as insurance rates have risen, and other Gulf ports remained.

Dry cargo rates, which have slumped recently from already low levels, showed signs of stabilising.

World Economic Indicators

RETAIL PRICES (1975=100)

	June '82	May '82	Apr. '82	June '81	% change over previous year
UK	239.5	238.9	237.2	219.4	9.2
W. Germany	136.7	135.3	134.5	129.2	5.8
France	208.9	207.4	205.8	184.0	13.5
Italy	292.2	289.4	286.2	253.8	15.1
Netherlands	152.8	152.5	152.1	143.5	6.5
Belgium	158.8	157.4	156.0	144.6	9.9
	May '82	Apr. '82	Mar. '82	May '81	
U.S.	178.1	176.3	175.6	166.8	6.8
	Apr. '82	Mar. '82	Feb. '82	Apr. '81	
Japan	147.1	146.0	145.7	143.3	2.7

Source (except UK): Eurostat

Commercial plan for land agency

BY WILLIAM COCHRANE

BETWEEN 25 and 30 per cent of the work of the Property Services Agency could be hived off into a commercial property division if the ideas of Mr Montague Alfred, its chief executive, are put into practice.

Mr Alfred put his proposals to PSA staff a month ago.

The PSA has been troubled in recent years by allegations of fraud and corruption which Mr Alfred has described as minor in relation to its size. It has general responsibility for meeting the needs of central government, the armed services and other public sector clients, for land, accommodation, fixed installations and associated supplies and transport services.

Mr Alfred said at the weekend that the PSA had a total annual spending of about £2.2bn, 65 to 70 per cent of which went on defence services.

He saw the possibility of applying objective performance criteria to 80 per cent of its civil estate, and perhaps 20 per cent of the defence estate. This would give the proposed property division an asset value of between £3bn and £5bn.

The property division would seek to apply current market rents, rent reviews every three, five or seven years, extension of maintenance responsibility to the tenant, and over the period a departmental tenant would expect to require a specific property in the interests of "saving money for the taxpayer," Mr Alfred said.

The PSA has reduced its staff from 50,000 in 1972, and 39,000 in 1979, to 30,000 in April of this year. It has realised £200m from the disposal of assets over the past three years.

Mr Alfred said he expected Government cuts in the Civil Service to release 6½m sq ft of office property in London alone, and between 1980-86. This would save about £50m in running costs and reduce office space from 33m sq ft to about 27m sq ft.

● The Nationwide Building Society, Britain's third largest, issued £10m of negotiable bonds by a placing on the London Stock Exchange last Friday. The amount has been increased from original issues of £5m last year, rising to £7.5m.

This is Nationwide's 16th negotiable bond issue since July 31 last year, in line with its plans to use the money markets to supplement its normal supply of funds. The society has raised £95m by this means; £30m last year against an original target for 1982 of £120m.

Nationwide plans to continue making regular issues of the bonds and will increase further the amount placed on each occasion, subject to Bank of England approval.

Council to help fund Glasgow show centre

By Alan Forrest

GLASGOW DISTRICT Council is to contribute £6m towards the cost of a new £30m Scottish Exhibition Centre in the city's dockland.

The project is expected to create 500 jobs during construction and 30 full-time and 500 part-time posts when the centre opens.

The 64-acre site at Queen's Dock, Finneston, was chosen by the Scottish Development Agency (SDA) from 49 possible locations. Its position will tie in with Glasgow's rapidly-developing hotel accommodation—the Holiday Inn and the Grosvenor are to open this year, work on the Skean Dhu in Renfrew Street is still in progress and the Sheraton chain is seeking a city location.

A further, 200-bed, three-star hotel is planned for the exhibition complex, which is to provide 20,000 sq mtrs of exhibition space—a main hall to hold up to 10,000 spectators and a range of smaller halls.

Private investment in the project was a condition by Mr George Younger, Secretary for Scotland, on his support. The private sector and the SDA will each pay £6m towards the £18m construction cost, with Glasgow District and Strathclyde Region to provide £3m each.

Analysts gloomy on economic recovery

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

CITY analysts are taking a generally gloomy view of the immediate prospects for the UK's economic recovery in the latest batch of forecasts published today. However, they see little evidence of a change of policy by the Government to help stimulate activity.

The stockbroker, James Capel, says in its UK Economic Assessment for August, that it does not expect much recovery this year, and adds: "There seems every chance that the recession could well turn into depression."

However, it says that, even if the Government wanted to give a direct stimulus to the economy by tax reduction, its hands are tied to some extent because of the recent high level of imports.

"Any attempt at a direct fiscal stimulus is likely to result in a sharp rise in import penetration and massive deterioration of the balance of payments, due to the recent loss of productiv capacity," Capel says.

An alternative way to try to promote recovery the firm suggests, would be for the Government to engineer a modest devaluation of sterling by continuing its recent policy of cutting interest rates.

However, after a analysis of the consequences of a 5 per cent depreciation of sterling, Capel says that it does not believe the higher growth rate of output (about 4½ per cent in 1984 compared to 3½ per cent, with policies) would outweigh the increased inflation which devaluation would causa.

If the Government were to hold to its present course, Capel believes the annual inflation rate could be reduced to 5.5 per cent by the end of 1984.

This, with continued increases expected in industrial productivity, would help the economy to recover. However, a 5 per cent devaluation could add three percentage points to the inflation rate by 1984, the broker believes.

An even gloomier view is taken by the broker, Capel-Cure Myers, which expects zero growth this year and only 1 per cent improvement in output next year. Its pessimism is based partly on the view that exports will hardly grow this year, and that growth next year will only be slow, while imports will increase sharply. It is also pessimistic about the extent to which companies will increase stocks.

Consultants Staniland Hall and the Henley Centre for Forecasting both predict a growth of output of about 1 per cent for this year, and a recovery of about 2½ per cent next year.

The Henley Centre, in its latest Framework Forecast, out today, says: "There are still few signs to indicate any significant recovery." It says that, in spite of an increase in investment and other components of economic demand, the extra stimulus has been largely dissipated by higher imports.

A somewhat less pessimistic view is taken by brokers Laing and Cruickshank, which continues to expect steady but moderate recovery of output—by about 1½ per cent this year and 2 per cent next year.

Although the Confederation of British Industry's latest quarterly survey of manufacturers is stygian, Laing and Cruickshank points out that manufacturing now accounts for only 28 per cent of total output, compared to 59 per cent by the services sector.

The most favourable review of the economy is by brokers Hoare Govett, in its Portfolio Strategy for August. It believes that overall activity in the UK has stabilised and that a significant relaxation of monetary policy in the U.S. will help stimulate the global economy. As for the UK, the broker comments: "In financial circles, much of the sting of Thatcher policies has been dulled by the switch to pragmatism in the handling of economic matters since the spring of 1981."

Defence costs more than health service

By Alan Forrest

A DESTROYER costs almost three times as much as a motorway, a modern minesweeper half as much again as a hospital, and a helicopter twice as much as a *school*, according to a report published this weekend.

The defence budget for 1982-83 was £14.090bn, compared to the £11.663bn cost of the National Health Service, but much of the difference is made up of expenditure on new weapon research, Labour Research, the independent trade union research organisation, claims.

The report compares the estimated £1.833bn expenditure on defence research and development to the Medical Research Council budget of £107m, and points out that the whole British Rail electrification programme, at £825m, is to cost £75m less than the development programme for the advanced Harrier jump-jet.

Defence costs every household in the UK £13.53, the report adds.

De Lorean receivers to await consortium

BY JOHN GRIFFITHS

THE SLOW progress towards a rescue of the De Lorean car manufacturing interprise in Belfast will be reviewed in New York today by the Belfast Receivers and Mr John De Lorean, chairman of the company which sells the cars in the U.S.

The Receivers, Sir Kenneth Cork and Mr Paul Shewell, are expected to tell Mr De Lorean that a still-unnamed UK consortium remains in the running to take over in Belfast, and that Mr De Lorean's own proposed $35m (£20.1m) rescue must continue to take a back seat.

Just less than two months ago, the Receivers and Mr De Lorean signed a letter of intent under which he would be free to mount his own rescue, if the consortium were unable to do so. It envisaged that the UK group would complete negotiations by July 31.

That the consortium did not do so it is understood to be the result of the complexity of the links between the Belfast and U.S. companies, involving such matters as royalty arrangements with private U.S. investors and other payments, such as for technical assistance.

Despite recent remarks by Mr De Lorean in the U.S. that, under the terms of the letter of intent, the consortium must stand down, the receivers appear in no mood to put a time guillotine on the British rescue. This is particularly so in view of the string of rescue packages which Mr De Lorean claimed to be imminent from the moment the receivers moved in during February, and which came to nothing.

Mr De Lorean has little option but to co-operate. His sales operation cannot survive without a supply of cars from Belfast. He cannot move manufacture of the cars elsewhere. This is not just because of the cost of setting up a new plant from scratch. Although the rights to the car are held by a private U.S. investment partnership, the UK Government has the right to transfer them to an operation of its own nomination.

Mr De Lorean could, of course, shut down his U.S. sales operation in protest. That would almost certainly mean *finis* for Belfast. It could also effect Mr De Lorean's reputation.

Council heating system designed to burn rubbish

LONDON'S Westminster Council has introduced a heating system for its council homes in Pimlico which is designed to burn both coal and a mixture of coal and processed rubbish.

The old system used waste heat from the nearby Battersea Power Station, but the Central Electricity Generating Board is to close this next year.

The new plant, adjacent to the power station on land leased from British Rail, has been built by Associated Heat Services, which provided the capital outlay. The charges to Westminster are based on an annual standing charge to cover operation labour, management, electricity, rates, maintenance and site leasing.

AHS will manage the plant and sell the generated heat to Westminster at a negotiated price per therm. A renewed agreement with Thames Water Authority will allow the heat to be piped under the Thames to Westminster's pump house on Churchill Gardens Estate, from where it will be distributed to 3,200 flats and other buildings in Pimlico.

Councillor David Weeks, *Westminster's housing* committee chairman, said, "The new system will initially burn coal, but we will switch to a mixture of coal and processed refuse as soon as it becomes economical to do so."

The system has been designed so that it can be adapted to burn all fuels, which will allow the council to take advantage of any drastic fuel price changes in the future.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Ropner, 140, Coniscliffe Road, Darlington, 12.30
Wiggins Group, RAC Club, 89, Pall Mall, SW, 12.00

BOARD MEETINGS—
Final:
Property Security Inv Trust
Interims:
Broadstone Inv Trust
Carrington Viyella
Horizon Travel
Relyon
Transport Development

DIVIDEND & INTEREST PAYMENTS—
Archimedes Inv. Trust Inc 3.7p
Caledonia Invs. 8.5p
Ferguson Industrial Hldgs 3.5p
Ferranti 5.5p
GEI Intl 3.555p
Gen Cons Inv Trust 2.4p
Hadland Hldgs 0.84p
Hambros £2 (90p Pd) 37.5p
Do. 5p 3.75p
Do. A 2.1p
Hapoalim Intl NV Gtd Fltg Rate Notes 1983 $815.21
Huletts Corp 23.252346p
Lloyd (F. H.) 1p
Raeburn Inv Trust 3p

TOMORROW

COMPANY MEETINGS—
Charter Consolidated, London Intl Press Centre, 76, Shoe Lane, EC, 12.00
Cohen (A.), 8, Waterloo Place, St James's, SW, 12.00
Comfort Hotels Intnl, 99, Kensington High Street, W, 10.30
Evans of Leeds, Queens Hotel, City Sq., Leeds, 12.00
Fleming (Robert), 8, Crosby Square, EC, 12.00

BOARD MEETINGS—
Finals:
Aeronautical & General Instruments
Cooper Inds
Crouch Group
Group Investors
ML Holdings
Interims:
Adams & Gibbon
Commercial Union Assurance
Fleming Mercantile Inv Trust
Kennedy Brookes
Ocean Transport & Trading
Smith & Nephew Associated
Tricentrol
York Mount

DIVIDEND & INTEREST PAYMENTS—
American Express 55cts
Baggeridge Brick 1.25p
Chloride Prf 3pc
Greater London 12½pc 1983 6¼pc
Malaysia (Govt of) 7½pc 78-82 3¾pc
Merrill Lynch Overseas Capital NV Gtd Fltg Rate Notes 1987 $190.87
Private Inv Co for Asia (Pical SA Fltg Rate Notes 1986 $413.22
Renold 2p
Staveley Inds 8.5p
Svensk Exportkredit AB Fltg Rate Notes 1987 $80.13
Whitecroft 3.1p
Do. 4.1pc Prf 2.05pc

WEDNESDAY, AUGUST 11

COMPANY MEETINGS—
British Tar Products, Cafe Royal, 68, Regent Street, W, 12.00
Brown & Tawse, Kingsway West, Dundee, 12.00
Chubb & Son, Hyde Park Hotel, 66, Knightsbridge, SW, 12.00
ERF Hldgs, Crewe Arms Hotel, Nantwich Road, Crewe, 3.00
Nova (Jersey) Knit, Marcol House, 289/293, Regent Street, W, 11.30
Ocean Wilsons, Winchester House, 100, Old Broad Street, EC, 12.00

BOARD MEETINGS—
Final:
Benn Brothers
Interims:
Britannic Assurance
British Aluminium
Foreign Colonial Inv Trust
General Accident Fire Life Assurance
Glynwed
Grovebell
TI
Woolworth (F. W.)

DIVIDEND & INTEREST PAYMENTS—
Anchor Intnl Fund 6.6cts
Applied Computer Techniques 0.5p
British Tar Products 1.675p
Charterhouse Japhet Intnl Finance BV Gtd Fltg Rate Notes 1985 $82.86
Cropper (James) 2p
ERF Hldgs 0.1p
Guinness (Arthur) & Sons 1.575p
Do. Ln 3½ 5pc
Marsh & McLennan 55cts
Nationwide Bldg Soc 14¾pc 11/8/82 £7.6983
Ocean Wilsons 2.2p
Sidlaw Group 2.5p
Sterling Inds 1.3p
Toronto-Dominion Bank Fltg Rate Debs 1992 $823.30

THURSDAY, AUGUST 12

COMPANY MEETINGS—
Bell & Sime, Marion Parade, Dundee, 12.00
Bremar Trust, Bremar House, 27, Sale Place, W, 12.00
Castings, Lichfield Road, Brownhills, West Midlands, 3.00
Cullen's Stores, Burford Bridge Hotel, Nr Dorking, 3.00
Howard & Wyndham, Caledonian Hotel, Princes Street, Edinburgh, 10.00
Intasun Leisure, Howard Hotel, Temple Place, WC, 11.30
Standard Fireworks, George Hotel, St Georges Square, Huddersfield, 12.00
Symonds Engineering, Great Eastern Hotel, Liverpool Street, EC, 11.30

BOARD MEETINGS—
Finals:
Smith Bros.
Trafford Carpets
Interims:
Clarke (T.)
Ultramar

DIVIDEND & INTEREST PAYMENTS—
Associated Fisheries 0.25p
Bell & Sime 2.5p
Brent Walker 1.4p
Brown & Tawse 5.6p
Charter Cons 7.25p
Do. (Br) 7.28p
Churchbury Ests 6.5p
Law Land 1.35p
Morgan (J. P.) Intnl Finance NV Gtd Fltg Rate Sub Notes 1997 $373.75
Petbow Hldgs 1p
Redfearn National Glass 3p

FRIDAY, AUGUST 13

COMPANY MEETINGS—
Delyn Packaging, Caerphilly, mid-Glam, 12.00
Mercantile House, London Chamber of Commerce & Industry, 69, Cannon St, EC, 11.30
Triefus, 1, Serjeants Inn, EC, 2.30

BOARD MEETINGS—
Interims:
Algemene Bank Nederland
Alliance Trust
Auk Wiborg
Automotive Products

DIVIDEND & INTEREST PAYMENTS—
Arbuthnot Dollar Inc Tst Ptg Pf 4cts
Ashdown Inv Trust 2.1p
Barr (A. G.) 1.75p
Brunswick Corp 28cts
Burns-Anderson 0.6p
Caledonian Assoc Cinemas 7p
Cambrian Gen Secs 0.2p
Castings 2p
Cullen's Stores Ord & A Ord 3.6p
Finance & Industrial Tst 2p
Liverpool Daily Post Echo 5pc Pf 1.75pc
London Scottish Finance Corp 0.9p
RHP Group 2p
Scottish Metropolitan Prop 1.5p
Do. Debn 3¼s (79-84), 3¼s (88-93), 3¼pc
Sparrow (G. W.) 0.25p
Symonds Engineering 0.5626p
Watson & Philip 1.2p

SATURDAY, AUGUST 14

DIVIDEND & INTEREST PAYMENT—
Zapata Corp 18cts

SUNDAY, AUGUST 15

DIVIDEND & INTEREST PAYMENTS—
Abbott Labs 21cts
African & European Inv Prf 1.49320p
Anglo American Inv Tst Prf 2.98641p
Borg-Warner Corp 35cts
Chase Manhattan Corp 65cts
Colgate-Palmolive 30cts
Fishguard & Rosslare Railways Harbour 3½pc Pf 1.225pc
Greater London 13¼pc 1984 6⅝pc
Do. 5¼pc 90-92 3⅛pc
Int Bank for Rec & Dev 5pc 77-82 2½pc
M & G Second Gen Trust Fund 4.7p
Sears Ln 3½pc
TSB Gilt Fund Ptg 3.16p

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Gifts Fair (01-855 9201) (until August 12)	Olympia
Aug. 12-15	Wine and Beer Festival (01-778 1256)	Met Exbn Hall, Brighton
Aug. 21-30	Motor Cycle Show (01-385 1200)	Earls Court
Sept. 5-8	International Hardware Trades Fair (0727 63213)	Olympia
Sept 5-9	International Watch, Jewellery, and Silver Trades Fair (01-643 8040)	Earls Court
Sept. 5-12	International Air Show (01-839 3231)	Farnborough
Sept. 7-10	Label, Labelling, Marking and Identification Industry Exhibition—LABELEX (01-467 7728)	NEC, Birmingham
Sept. 7-10	International Carpet Fair (021-705 6707)	Harrogate
Sept. 12-16	International Woodworking Industries Exhibition—IWIE (01-486 1951)	NEC, Birmingham
Sept. 12-15	MAB International Menswear Fair (0727 63213)	Earls Court
Sept. 14-16	Coil Winding International '82 (0202 891339)	Wembley Conference Centre
Sept. 19-21	National Bakers' Buying Fair (01-446 2411)	Barbican
Sept. 21-23	Harrogate Fashion Fair (01-637 2400)	Harrogate
Sept. 21-23	Environmental Health Exhibition and Congress (01-637 2400)	Scarborough
Sept 26-28	British Footwear Fair (01-739 2071)	Olympia
Sept 26-29	Fashion Shoes Exhibition (0462 50383)	Kensington Close Hotel
Sept 27-29	Construction Industry International Exhibition and Conference (01-242 3771)	Imperial College, London
Sept 27-Oct 1	Furnaces, Refractories, Heat Treatment and Fuel Economy Exhibition (0737 68611)	NEC, Birmingham
Sept 28-Oct 1	London Business Show (01-647 1001)	Barbican

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Aug 11-15	International Trade Fair for Hotels, Restaurants, Catering and Food—HOTELRES (01-681 7688)	Bangkok
Aug. 18-21	Business Equipment and Computer Exhibition—COMBEX (0483 38085)	Hong Kong
Aug. 19-21	International Electronic Packaging and Production Equipment Exhibition—INTERNEPCON (0483 38085)	Singapore
Aug. 27-29	International Men's Wear and International Jeans Fair (01-730 4645)	Cologne
Aug 28-Sept 1	International Autumn Fair (01-734 0543)	Frankfurt
Aug. 30-31	Fashion Samples Fair—INTERCHIC (01-749 3061)	Berlin
Aug. 30-Sept. 2	Indro-Perfumery Exhibition (01-486 1951)	Utrecht
Sept. 4-7	Women's Ready-to-Wear Clothing Show (Paris (1) 268-08.40)	Paris
Sept 6-11	International Shipbuilding, Marine, Small Ships and Fishing Exhibition (021-705 6707)	Korea
Sept 11-16	International Public Works Congress and Equipment Show '82 (01-637 2400)	Houston
Sept 14-18	International Electrical Technology Fair—FINNTECH (01-486 1951)	Helsinki
Sept 14-19	International Exhibition for Auto, Motor Car Workshop Service Station and Garage Equipment (01-734 0543)	Frankfurt
Sept 14-22	International Autumn Fair (01-486 1951)	Zagreb
Sept 18-21	International Sports Equipment and Leisure Goods Exhibition—SPOREX—ASIA (01-681 7688)	Singapore
Sept 21-23	International Exhibition and Conference for the Pharmaceutical, Cosmetics, Toiletry and Allied Industries—INTERPHEX (021 384 3384)	New York

BUSINESS AND MANAGEMENT CONFERENCES

Aug. 23-27	Management Training Consultants: Techniques of supervisory and management training for trainers (0533 27062)	Leicester
Aug. 25	Oyez/IBC: Deep water pipeline technology (01-242 2481)	Norway
Aug. 30-Sept. 1	Management Centre Europe: Developing high performance teams (02 219 03 90)	Brussels
Aug. 31-Sept. 2	FT Conference: Aerospace enters a new era (01-621 1355)	Grosvenor House, W1
Sept 1	John Ottensooser: Tax planning — New Opportunities for the Professions (01-499 8281)	Savoy Hotel, WC2
Sept. 6-8	Frost and Sullivan: Data communications: advanced concepts and systems (01-486 8377)	Mount Royal Hotel, London
Sept 7-10	Industrial Relations Services: Law for personnel industrial relations and works managers (01-328 4751)	Royal Horseguards Hotel, Ldn
Sept 7	Centre for Extension Studies: Contingency planning for bomb, arson and kidnapping threats (0509 263171)	Loughborough
Sept 9	Oyez/IBC: The art of negotiating (01-242 2481)	Hyatt Carlton Hotel, SW1
Sept. 9-14	The Textile Institute: Textile machinery—Investing for the Future (061-834 8457)	Palace Hotel, Lucerne
Sept 13-15	Concrete Society: International symposium on concrete roads (01-235 6661)	Tara Hotel, W8
Sept 13-14	Frost and Sullivan: Understanding and using CAD/CAM (01-486 8377)	Mount Royal Hotel, W1
Sept 13-15	FT Conference: World Financial Futures (01-621 1355)	London Press Centre EC4

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Airline introduces new class

By Our Aerospace Correspondent

COMPETITION on the London-Singapore air route will increase from September 6, when Singapore Airlines introduces its Business Class service on 747 Jumbo jets.

The Business Class fare will be £782 single, compared with the normal Economy Class rate of £652 (each fare including one stop-over).

For this money, the executive will get a seat in the cabin immediately behind first-class, with 36 seats against the normal 52, giving a space between seats of about 38 inches.

Other benefits will include seat selection at the time of booking; special check-in counters at Heathrow and Singapore (Changi); special lounges at the airports (SIA is building its own Silver Kris lounge at Heathrow); a free baggage allowance increased to 30 kilos; improved in-flight service; free meals and bar service with an increased number of cabin crew; and other facilities, including improved hotel accommodation where desired.

Among the latter will be no extra charge for a spouse staying in the same room in an hotel, and extended check-out times at no extra charge.

Air Europe plans Gibraltar service

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR EUROPE, the UK holiday airline, is making its first bid for a scheduled air service between the UK and Gibraltar.

It has applied to the Civil Aviation Authority for permission to fly three times a week from Gatwick, starting on April 1, 1983, with another once-weekly service each way from Manchester. The airline is seeking a 10-year licence, and will use Boeing 737 jets.

Air Europe already flies Gatwick-Gibraltar and Manchester-Gibraltar, but with charter services only, on behalf of holiday tour operators. It also carries newspapers and mail to The Rock.

Mr Errol Cossey, deputy managing director of Air Europe, said: "We have a special relationship with Gibraltar, having carried 90,000 sector passengers to The Rock since we started to serve that destination in 1979."

Air Europe recently announced a pre-tax profit of £5.4m for the year ended March 31 1982, on a turnover of £22m. It recently ordered two Boeing 757 jets, for operation in 1983, in a £40m deal with British Airways.

This summer the airline expects to carry 1.2m passengers to 32 European destinations on behalf of over 50 tour operators.

- British Airways is to spend £850,000 on improving the interiors of its ageing fleet of One-Eleven jet airliners to give the aircraft more "customer appeal" and to help the airline compete on routes out of Heathrow, Manchester and Birmingham.
- Rolls-Royce is developing a new version of its RB-211 Dash 535 engine, the H4 with 41,500 lbs thrust, which it has offered to McDonnell Douglas of the U.S. for use on a new, longer range and improved version of the DC-10 Tri-jet, the MD-EEE.
- *Pilatus Britten-Norman*, of Bembridge, Isle of Wight, the manufacturer of light transport aircraft, has reached agreement with Mr Ron Hauck, president of International Aviation Corporation, whereby he will build the Trislander three-engined commuter aircraft at his facility at Homestead Airport, near Miami.

The aircraft will be called the Tri-Commutair. After basic manufacture at Homestead they will be flown to IAC's main base at the general aviation airport for completion to customers' requirements.

Sales of Pilatus Britten-Norman's range of aircraft have now topped 1,000.

QE2 sea trials successful

THE QE2 returned yesterday from 24 hours of sea trials in the English Channel. The ship had been refitted after use as a troop-carrier by the South Atlantic Task Force.

Thousands of holidaymakers watched the 67,000 ton Cunard liner sail through the Solent in new livery of light grey hull and orange funnel. The ship has always had a black hull and a black and white funnel.

It took only eight days to convert the QE2 into a troopship when the vessel was commandeered to go to the Falklands but the multi-million pound refit, paid for jointly by Cunard and the Government, took nine weeks. The removal of helicopter pads involved much structural renovation.

Captain Peter Jackson, the ship's master, said yesterday that it passed its sea trials with flying colours.

"Our new colour scheme has attracted considerable attention. Most people seem to prefer the funnel black in traditional Cunard colours," he said.

Fifteen miles of carpet have either been replaced or cleaned. The grill room has been enlarged, and a new health spa, with Jacuzzis has been installed.

The QE2 is due to sail to New York on its first post-Falklands passenger voyage on Saturday.

BR flexible rostering will not involve compulsory redundancy

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BRITISH RAIL has agreed with its unions that there should be no compulsory redundancies through the introduction of more flexible work rostering for its 24,000 train-drivers.

This acceptance that the manpower savings which BR hopes to secure from flexible rostering will be achieved by voluntary redundancy and other methods is contained in an agreement reached last week between all sides.

The train-drivers' union recently called an unsuccessful two-week national strike over flexible rostering. The measure of BR's victory is contained in this agreement, which will replace the railways' 1919 agreement on the eight-hour day as the key instrument in working methods.

The unpublished agreement lays down a method of operating the seven-to-nine-hour flexible shifts, which is broadly similar to the decision on the issue by the Railway Staffs' National Tribunal, chaired by Lord McCarthy, which found in favour of BR. The tribunal is examining this year's pay increase.

The draft agreement was sent to the unions last week. It is being signed and returned to BR. There are, however, important differences between it and the McCarthy proposals of RSNT Decision No. 77.

In the safeguards specified by Lord McCarthy on flexible rostering he urged that the majority of the new shifts or turns should not exceed eight hours. This has been tightly defined in the agreement as 51 per cent at any depot.

The agreement further specifies that normally a rostered week will be subjected to a maximum of 44 hr over five days though, with local agreement, 52 hr 30 min over six days can be worked. Where turns are longer than 8 hr 30 min the figures will be 45 hr and 54 hr respectively.

The agreement sets up two new joint working parties. One will review the progressive reduction of unsocial-hours working. The other will examine problems of drivers' travel to work, an important point in the drivers' union case.

All restored overtime is now precluded under the terms of the agreement though BR has gone some way towards meeting drivers' fears about exchanging shifts between themselves by stating "management will endeavour to assist men who have difficulty in arranging mutual exchanges."

BR is hoping to lose 850 posts from flexible rostering in the first year, so the redundancy arrangements are crucial. The agreement, however, states: "Any footplate staff surplus to requirements at a depot as a result of the introduction of the arrangements set out in this agreement will be allowed to remain at their depot until absorbed into permanent posts," either by promotion or transferring to another depot.

Drivers aged more than 55 will be allowed to volunteer for redundancy but the agreement states "there will be no compulsory dismissals as a result of the application of this agreement."

The agreement secures for BR an important revision of the October 1965 Diesel and Electric Manning Agreement to allow the single-manning of rosters up to and including nine hours long.

BR has agreed to review at an early date any savings from this. Another meeting will review savings resulting from flexible rostering, with the definite commitment of being charged "to negotiate specific rewards."

Unlike flexible rostering for guards though the 39-hour-week, a quid pro quo of flexible rostering, will not be introduced across the board now the agreement is concluded. It will be introduced depot by depot only as new rosters are introduced.

Merseyside dockers' pay talks

A WEEK of intense negotiations opens in Liverpool today to resolve the deadlock between port management and the transport union over the dockers' annual pay and productivity package.

The Port Modernisation Committee on which the employers and the Transport and General Workers' Union are equally represented has met intermittently over the last three months without resolving the claim.

The possibility of an all-out strike has fanned employers' fears of further damaging the loss-making port. The two sides have agreed to talk throughout the week to end the stalemate.

The chairman of the Port Employers' Association, Mr James Fitzpatrick, is managing director and chief executive of the Mersey Docks and Harbour Company, which lost £7.5m last year.

He says he is determined that by the weekend the port will have an agreement that will "ensure stability and a strong future both for the men and the Mersey."

Chairman of the Mersey Docks shop stewards, Mr Denis Kelly, said yesterday: "I am confident we can reach agreement although a lot of hard bargaining remains to be done."

The outcome of the negotiations will be reported to a mass meeting of the dockers in Liverpool boxing stadium a week on Wednesday.

INSURANCE

Increased losses in non-life sector

BY ERIC SHORT

THE NON-LIFE insurance sector in Britain is in the middle of a depression. Keen competition in almost all its areas of global operation for all classes of business, personal as well as industrial and commercial, has resulted in widespread rate-cutting and increased underwriting losses. A clearer picture of the situation should emerge as the UK composites report on their half-year results, starting with Commercial Union Assurance tomorrow.

The operations of an insurance company can be divided into three sections. First, there is the profit or loss on its insurance operations—the difference between premiums received and claims and expenses paid out. Next comes the interest and dividends earned by investing the cash flow received and the reserves held by the company. Last, there is the capital appreciation on the investments held.

Interest rates being high throughout the world, many insurers have been prepared to cut premium rates in order to maintain cash flow for investments, thereby incurring underwriting losses which they hope to offset by the growth in investment income. More concern is placed on the overall return on capital employed. These conditions influence insurers in their operations in the various insurance markets.

The U.S. accounts for almost half of insurance business, so analysts have to pay particular attention to it in assessing the prospects of UK composites. Stockbrokers James Capel have produced a comprehensive survey of the North American market, which points out that the insurance trade cycle in the U.S. is by no means homogeneous—different classes of business show different patterns. But overall results are heavily influenced by the automobile business, which accounts for more than one third of U.S. premiums.

James Capel consider the outlook for automobile business to be improving slightly, operating ratios coming to a peak this year after rate increases and a lower number of claims. The survey is pessimistic about other lines of business—homeowners, commercial, multiple and general liability—though it points out that workers' compensation business has remained remarkably resilient in a hostile context. It concludes with a forecast that the bottom of the U.S. underwriting cycle should be reached next year and that should be a modest recovery in 1984.

Royal Insurance and Commercial Union have both been expanding their U.S. business, in the past couple of years, away from their stronghold traditional in the north-east. They should show strong premium growth, with a corresponding effect on investment income. General Accident appears to be lagging in U.S. growth.

The UK used to be regarded as a sound and profitable insurance market, but not any more. Those conditions attracted overseas insurers who have competed keenly for commercial business. As a consequence, commercial rates have been drastically cut and the established UK companies have turned to the hitherto neglected domestic market for growth. The UK sector has seen keen competition for domestic business, especially in private motor insurance.

Stockbrokers Wood Mackenzie forecast that premium growth in the UK will lag behind inflation this year and next, and they expect the general trend in profitability to deteriorate. But the deterioration will be hidden in the effects of the severe winter weather early this year, which cost UK insurance companies more than £250m in adverse weather claims and entailed poor figures for the first quarter. The results for the rest of 1982 will indicate a recovery, simply because of better weather, and will mask the underlying deterioration.

All analysts agree that, despite the gloom, shareholders can look forward to higher dividends in 1982. Stockbrokers Rowe and Pitman forecast a rise of 11 per cent on average in interim payments and of about 12 per cent for the whole year. That view is based on the underlying strength of the assets held by the composites. The next few weeks should be interesting for shareholders in the insurance industry.

Petrol 'profiteering' claim

AN MP has attacked the decision by Shell to raise petrol prices. Mr Walter Johnson (Lab. Derby S.) called on the Government to stop what he called "gross profiteering" by oil companies.

Shell announced on Friday that it would reduce subsidies to dealers from midnight last night—a move which will force up prices at its garages by 8p a gallon.

Other leading companies are expected to announce similar increases early next week, bringing the average price of four-star to £1.72 a gallon.

Mr Johnson said: "This scandalous imposition on the motorist will have the effect of pushing up the cost of living.

BUILDING AND CIVIL ENGINEERING

Civil engineers' hopes are dashed

THE OUTLOOK for the civil engineering industry has deteriorated since the Spring, despite earlier sgns thst the bottom of the recession might have been reached.

The Federation of Civil Engineering Contractors says in its July survey that workloads and order books have continued to decline since its last survey in April.

"The decline in the civil engineering industry has once more begun to quicken, after a period when the indications were for a stabilisation in workload, albeit at a dismally low level," the Federation commeots.

The survey shows that 47 per cent of contractors reported lower order books in July than six months earlier while 52 per cent said that order books had fallen compared with 12 months ago. Only between 20 and 25 per cent of respondents said that orders had improved.

In April, 44 per cent of companies had reported a drop in orders over the previous six months and 47 per cent said that orders had fallen over the 12 months period. At that time, civil engineering companies were talking about possibility of the bottom of the recession having been reached.

The Federation says that larger companies appear to have been worst affected by the deterioration that has taken place since April. A higher proportion of larger companies report reduced order books and "show substantial shedding of hoth staff and operatives, with staff reductions particularly prominent."

A rise in invitations to companies to tender for new work has not been reflected in increased workloads, says the survey, which implies that more companies are being asked to tender for the same job while the average value of contracts haa fallen.

The Federation comments: "In overall terms, the picture presented would indicate a growth in small, short term contracts which are more labour intensive, such as repair and maintenance. Tendering continues to be very competitive. This is reflectad in the relative performance of firms, with small companies stabiliaing to a degree, while larger companies are facing a renewed decline.

"In brief, the civil engineering industry is no longer on a plateau and the subdued optimism beginning to appear earlier in the year has evaporated. It is clear that unless positive steps are taken to invest in capital infrastructure then the industry will continue to decline and its unemployment rate will rise above its present level of 25 per cent," the Federation concludes.

ANDREW TAYLOR

GLC studies housing association aid

THE TANGLED affairs of the Strongbridge Housing Association, whose management committee includes three members of the Greater London Council's Conservative front bench, are at the centre of the GLC inquiry now being held into the financial aid provided to housing associations by the council over the past 20 years.

The inquiry, which began last week, is being conducted by an independent QC.

The Association, more than £750,000 behind with loan repayments to the CLC and to Hillingdon Council, has also been the subject of an inquiry by the Housing Corporation, the body charged with financing and overseeing housing associations — the voluntary non-profit bodies which provide accommodation at "fair rents."

Strongbridge claims that its difficulties are due to the failure by the Department of the Environment to pay revenue deficit grants to which the Association is entitled, a not uncommon source of financial embarrassment to the associations, as the grants are discretionary.

But controversey has also centred on the role of Mr Geoffrey Seaton, Conservative GLC member for Surbiton, and Opposition Chief Whip on the CLC until the end of last month. In addition to receiving a salary as acting secretary and chief executive of Strongbridge, he was also director and part owner, with other members of his family, of Ceoffrey Seaton Msnagement Services Ltd, which had the contract for rent collection and other estate management duties for the association.

Such links are now illegal, under legislation passed in 1980. Contracts already in force, such as that with Mr Seaton, are, however, exempted, and there is no suggestion of any illegality in Mr Seaton's position. But it is Housing Corporation policy for such contracts to be phased out, and the arrangement is part of the brief of the Corporation inquiry which was completed last week. Interested parties were informed of the conclusions on Friday.

Mr Seaton himself stressed in a statement that be has "scrupulously avoided using any improper influence to obtain benefit for the housing association" and always made his own financial interest clear.

The Strongbridge Report

Arrears totalled £853,000 bnt, after allowing for likely snbsidy payments from the DOE, deficits remain totalling £184,000. The Associations can nnly meet these by selling assets.

Main causes nf the arrears were failure "over a protracted period" to seek sobsidy at the earliest possible opportunity and the fact that management expenses were more than £80,000 in excess of DOE norms.

The estates were not well maintained. There was mismanagement, bnt no evidence of miscondnct or illegality. It recommended that another association should take over; that nine Housing Corporation nominees should join the Boards to give the Corporation a clear majority; and that the contracts with Mr Seaton and bis twn companies should be ended as soon as possible, withont compensation. Mr Harold Mote has offered to resign from the chair of both Associations.

In addition to Mr Seaton, the association's managemeot board includes as chairman Mr Harold Mote, CLC member for Harrow East and GLC opposition spokesman on transport, Sir Niget Fisber, Cooservative MP for Surbiton, and Mr David Howe, who works in the Prime Minister's political office. The partisan enthusiasm of Labour members in pursuing the case is therefore understandable—even if, for good measure, the board also includes the leader of the Labour opposition on Kent County Council. Nonetheless, whatever the joys of the chase, such agreements and the problems arising from them are nothing new in the housing association movement.

For many in the Labour party an additional motive, apart from the understandable pursuit of rumours involving the opposition, is a deep-rooted suspicion of housiog associations. At the same time, however, some Labour members, such as Mrs Gladys Dimson, a past housing chairman with loog-standing personal involvement in the housing association movemeot, have expressed the hope that the inquiry will not lead to a general attack, on the housing association movement.

Whatever the inquiry may uncover, it should help to focus attention on the dilemma facing associations as bodies which exist to mobilise voluntary and uopaid effort, and whicb are often caught in the shifting complexities of a subsidiary system which can leave many participants out of their depth.

Housing association projects are initially financed by loans from the Housing Corporation nr from local authorities. On completion and after submission of audited accounts, these are partly paid off by a government capital subsidy known as Housing Association Grant (HAG).

The debt left outstanding to the corporation or to councils is equal to the amount which the association can finance from its projected rent income over 30 years, after allowing for management costs. Revenue deficits which may arise can also be covered by a separate Revenue Deficit Grant (RDG), payable at the discretion of the Department nf the Environment.

Until 1979, the DoE also allowed RDG to be used to cover unexpected overruns on the cost of administration nf the development itself. These costs often overrun the permitted scale, especially in London, where unexpected delays can arise in the acquisitinn and preparation of sites and properties.

These problems were compounded whan, in the case of Strongbridge, the DoE informed it that it had overpaid the association £196,000 in grant. It therefore withheld RDC against the alleged overpayment, after claiming to have received no reply on repayment of the excess.

These and other technical problems arising from the complexities of the subsidy system can swiftly mount to the point, as CLC housing chairman Tony McBrearty bas alleged occurred at Strongbridge, where the board of the association discussed whether or not it was still solvent.

The GLC inquiry could also clarify the question of where the responsibility lies, as between management boards of associations, councils and the Housing Corporation, for preventing such situations from developing. In the opinion of nne national official of the housing association movement "Both parties at County Hall have given money to bousing associations without proper checks."

STEPHEN MARKS

UK CONTRACTS

TWO MAJOR nrders, worth a total of £18m, have been won by **SIR ROBERT McALPINE AND SONS**. Cheltenham and London are the locations and each project will take around two years to complete.

In Cheltenham, for Cruden Developments, McAlpine are to build the Regeot Shopping Arcade and car park to a design by Dyer Associates which takes full account of the age and environment of the area. Within the covered mall and other public areas of the 300 by 63 metres on-plan structure with its 14 lifts and two escalators the Victorian era will be reflected in style.

Lombard Street is where McAlpine will aoon start to erect a 36 by 38 metres on-plan office block for Guinness Peat Property Services. Rising 25 metres from ground level above an 8 metres deep basement car park, the reinforced concrete frame structure will be externally clad in granite and curtain walling.

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OVER £9m worth of new work has been secured by **W. S. TRY (HOLDINGS)** of Uxbridge.

These varied contracts cover a new restaurant and services area on a management fee basis at Heston for Granada Motorway Services to a value of £1.5m.

There is an office development at Yiawsley for Vulcan at £440,000; alterations to Cargo Centre at Heathrow Airport for British Airways (£211,000); and two term contracts each on a three year basis at HM Dockyard Portsmouth—£800,000 a year for the PSA, and £1.5m a year at Heathrow for the British Airports Authority.

*

TEN CONTRACTS with a total value of £6.5m just awarded to **JOHN MOWLEM** include a £2m new police headquarters at Otley Road, Leeds, and a £1.3m five storey office complex for the Bradford Insurance Company at Halifax.

The City of Bradford Metropolitan Council has awarded Mowlem in the north a £1.2m management contract to build a council cleansing depot at Harris Street.

A £1m award from Leeds City Council is for 51 council homes to be built at Ellerby Lane, where 23 semi-detached dwellings will be designated for sheltered accommodation for the elderly.

The Home Office has placed a £400,000 job to demolish and rebuild a 790 ft length of boundary wall at Wakefield Prison.

The rest of the work covers a test house and facility for Doncaster Monkbridge at Whitehall Road, Leeds; a new public road for British Rail at Copmanthorpe, York; walls and floors for an extension for J. Wharton (Shipping) at Gunness, Scunthorpe; assembly centre at Goole Docks and, finally, four shops for Cuisely Properties at Prospect Street, Bridlington.

*

R. MANSELL'S new batch of around £6m worth covers seven different awards with a Hambro Life £2m deal just under way this month. The work is at Princes House in Jermyn Street, London SW1, and comprises major alterations and additions to offices.

The company is constructing a new reinforced concrete office building at Rathbone Place under a £1.1m award, and other office contracts are a £480,000 developmeot at Ballards Lane, Finchley, for the Co-op Insurance Society and a £806,000 reconstruction at Ecclestone Place, London SW1 for the LEB.

Housing work has been won both for the public and private sector, including an £840,000 order for the London Borough of Southwark for refurbishing, repairs and improvements at the multi-storied Castlemead Estate.

*

A £4.5m contract to provide a North Sea liquid gas store 600 ft underground has been awarded to **FAIRCLOUGH CIVIL ENGINEERING**, tunnelling division, which will excavate two caverns in middle chalk rock at South Killingholme, South Humberside. Underground conveyor belts and deep mine winding gear will be installed to hoist excavated chalk to the surface. The gas store will allow Calor Gas to store 120,000 cu metres of liquid gas, pumped in direct from North Sea pipelines.

'Keep some existing regs'—surveyors

THE CURRENT system of building regulations should be retained for some types of building work, according to the Royal Institution of Chartered Surveyors.

The RICS is urging the Department of the Environment not to completely abandon the present regulations when proposals for a more flexible system are finally introduced. The Government's plans for introducing a new system of monitoring and administering building control regulations, using private certifiers, were contained in a consultative paper published nearly two weeks ago.

Commenting on the consultation paper, the Institution says that, despite the clear need for simplification and change, many builders would prefer "the concrete guidance and uniformity" of the present regulations system when involved with low-rise, conventional buildings.

Mr Peter Pitt, chairman of the Institution's working party on building regulation and control, said last week that the new proposals have been composed to suit building designers rather than builders and those who had to nperate the controls.

Mr Pitt claimed it was an illusion to pretend that any real change in the system would occur until a full library of approved documents illustrating the new regulations had been compiled under the aegis of a properly constituted Building Control Board.

Until then, he emphasised, the preseot regulations—amended and improved—should be osed.

MICHAEL CASSELL

What's new in building

Hoping to solve a potential vandalism problem, architects Waring and Netts chose a Lexan polycarbonate sheet to protect rooflights in a pedestrian precinct at High Street, Gosforth, Newcastle upon Tyne.

Snpplied by Transplastix, major fabricator of rooflights, the material is bronze and promises strength, excellent light transmission and weathering characteristics, and UV stabilisation. It is also light in weight.

More on Lexan from General Electric Engineering Polymers, Birchwod Park, Risley, Warrington, Cheshire (021 622 6868).

*

Econopump Concreting Services has taken dellvery of the first lorry mounted sinch peristaltic concrete pump in the UK with outputs np to 84 cubic metres an hour says Ackermann Plant (0636 814350).

The Wiban-Ackpump has no pistons, cylinders or valve systems but generates suction and pressure by the action of rollers compressing a 5-inch steel reinforced rubber tube on the inside diameter of an evacuated steel drum and, virtually, the only component subject to wear is the long-life pumping tube which can be changed on site, reducing the risk of downtime and high maintenance costs, claims Ackermann.

*

A new flat roof insulation system called Isogold, specially designed for the inverted flat roof form of construction, has been introduced hy Isocrete of London NW7.

This incorporates an extruded polystyrene insulation with 100 per cent closed cellular structure promising a high mechanical strength – and water absorption of no more than 0.58 per cent by volume.

Available in 30, 40, 50, 60, 75 and 80 mm, it incorporates a rebated edge to avoid cold bridges, and is suggested for use in car park roofs, cold stores, refrigerated warehouses, agricultural buildings, ice skating rinks and swimming pools.

Site scheme approved

FOLLOWING A recent debate and vote in the House of Lords, final approval for the Special Development Order for a 13.6 acre site on London's South Bank adjacent to Vauxhall Bridge means that the development will definitely go ahead.

It will be undertaken by Arunbridge on behalf of clients and will be carried out in phases to provide prestige offices, residential accommodation, shopping mall, leisure centre, two pubs and related amenities.

Edward Erdman—which was concerned with the acquisition of the site—is retained as surveyor and sole agent in respect of all aspects of the development.

TECHNOLOGY

EDITED BY ALAN CANE

Computer controlled system could be a life saver

A breath of fresh air from Britain

BY ELAINE WILLIAMS

THE ABILITY to give people a breath of fresh air bas allowed Sabre Safety, a small British company to reach a turnover of £1.5m in eight years, against fierce international competition.

This year, Sabre Safety, which makes a wide raoge of breathing apparatus for industrial applications, hopes that this turnover will double in 1982.

As it operates in a relatively small market competing against a few dozen companies around the world, Sabre realises that it must exploit new technology in its products and manufacturing processes to keep costs down and to produce more sophisticated products to stimulate sales.

This is typified by the recent design of a computer controlled system to test its breathing apparatus before it leaves the factory. As Mike Clynn, Sabre's managing director, explained: "One faulty piece of equipment could mean someone's life."

Until now testing of each unit was laboriously carried out by hand and some statistics about the performance nf a breathing unit under different conditions was difficult to simulate.

Now the company can carry out complex tests on its products in a few minutes instead nf hours. Mr Colin King, the engineering director, believes that better knowledge about the characteristics of the breathing apparatus during use will lead to better but cheaper designs.

Also several of the company's major customers have expressed interest in purchasing the test machine to help them maintain existing equipment. Sabre hopes to start production of the machine next month.

Until now, organisations had very little choice of testing equipment—most were expensive and relatively crude.

Sabre's range of equipment varies from simple masks connected to an eight minute supply of air, installed at strategic points around ships or in chemical factories. These can be used in cases of fire or leak of toxic gases to help people escape from a dangerous area.

Recently, Sabre completed a rush order of 11,000 of these units fur the Royal Navy, worth more than £1m. The order, which was completed ahead of schedule came two days after HMS Sheffield was hit during the Falklands crisis.

At the other end of the range, Sabre makes sophisticated breathing apparatus for use in fire-fighting and for mines rescue where up to four hours' worth of air bas to be provided.

Sabre is putting great emphasis on export markets, particularly the Far East, especially as the UK market is static. About 49 per cent of its output is exported and Mike Glynn hopes this percentage will grow over the next few years.

Its long list of customers include Pemex, the Mexican state-owned oil company which has £60,000 worth of Sabre's breathing equipment on its oil platforms in the Gulf of Mexico.

Breakthrough

In Saudi Arabia it secured £250,000 worth of orders from that country's civil defence organisation. This was an important breakthrough in a market dominated by U.S. suppliers. Other customers include chemicals plants and mining companias.

The company realises that even in the relatively conservative breathing apparatus market there are opportunities to exploit microelectronics. It recently completed a study, funded by the Department of Industry's Microprocessor Application's Programme Consultancy MAPCON scheme, to indicate how such equipment could be improved.

For example, the company is considering replacing the conventional air pressure gauge on more sophisticated breathing equipment with a microprocessor-controlled one.

Though slightly more expensive than conventional systems, it could give the user far more information, such as monitoring the level nf toxic gases in tha air, measuring temperature, warning of leaks, and monitoring pressure in the face mask itself rather than the pressure delivered from the valve unit.

Office automation

Overall picture is still optimistic

BY GEOFFREY CHARLISH

NOT LONG ago, Eosys, the office automation consultancy and research organisation previously known as Urwick Nexos, conducted a survey among 290 managers with a primary responsibility for office automation.

Sixty per cent of them responded and the conclusion by Eosys is that the overall picture is still bright, despite the economic climate. However, on some scores the outlook is rather less bullish than it was when the last survey was conducted six months ago.

For example, 57 per cent of the respondents have increased budgets for the next 12 months whereas the figure was 67 per cent six months ago.

There also seem to be growing problems of compatibility of systems. Some 59 per cent mentioned such difficulties compared with 52 per cent during the earlier survey.

An attempt was also made to find out what cost benefit the respondents expected to obtain.

Although most managers bad little problem in identifying applications, they had some difficulty in finding suitable systems and often thought the difficulties involved in implementation were too great. The more complex the user's activity, the more often were these views expressed.

But clearly a good deal of time goes into preparing justifications for systems. Well over balf of the respondents had prepared between one and five such reports, while 6 per cent had prepared more than 10.

Some money is being spent looking at the idea of office automation. Over 91 per cent had set aside up to £10,000 — but few managers expended sums over that level (about 8 per cent).

Expected expenditure on tha systems themselves will for the most part either go up or remain the same — only a few per cent of those questioned expected it to go down.

Microcomputers, word processors, executive terminals and microfilm/microfiche are (in that order of magnitude) the front runners for money. But approximately three-quarters of the managers expect no change of spending on electronic mail, viewdata, facsimile, message switching or optical character recognition.

Safety

Beacon for night use

GERALD COOPER'S simple idea to pcoduce a tiny clip-on light to help people be seen at night could result in sales of 3m units in the first year of his company's operation.

Mr Cooper has set np a company called Barchbed to market his invention—a small flashing beacon with a long life which can be seen up to a distance of a quarter of a mile.

He designed the light because be felt that present fluorescent belts worn by children, cylists and borseriders conld be improved upon.

Barclays Bank helped Mr Cooper with finance for his venture which already has export markets opening up in Sweden, Norway and the U.S.

The Fizgig, as the small flashing beacon is called, is being manufactured by a seperate company to Barchbed, set up by Mr Mike Sanderson. He helped turn Mr Cooper's idea into a practical reality.

Mr Cooper hopes that both companies could employ a total of 50 people by the end of the year if present demand is maintained.

Machine tools

New features in Addison horizontal bandsaw

BY MAX COMMANDER

THE Addison Jubilee AH250 automatic horizontal bandsaw pictured below is an addition to the range nf tools from this company at Westfields Road, Acton, London, W3 (01-993 1661).

Powered rollers in the machine vice drive the workpiece to a length stop mounted on two support rods. A limit switch is incorporeted to initiate the cutting cycle. The cycle repeats automatically either until the material is exhausted or the required number of pieces, pre-set on the work counter, have been produced.

Other features include a system whereby the feed rolls automatically withdraw the bar stock at the completion of each cut to prevent the blade rubbing against it as the sawbow rises.

The load on the bandsaw blade can be monitored constantly and the feed rate automatically adjusted; a combination of carbide pads and roller bearings provide precise control of the bandsaw blade.

The machine includes a grouped control console for the operator with a workpiece counter and coolant gun with band nozzle for flushing swarf from the cutting area.

Capacity is 250mm for rounds, 230mm for squares and for rectangular 280 x 190mm.

The A[illegible]

هكذا من الأصل

Portable extractor for welding fumes

AN air flow of $21m^3/min$ at 150 mm wg (750 cfm at 6 in. wg) vacuum is claimed for the new DU5 portable dust extractor from Defuma, Stukeley Road Industrial Estate, Huntingdon, Cambs (0480 55466).

Designed mainly for the extraction of welding fumes and oil mist, the DU5 has a filtration area of $9,000cm^2$ and a 44,000 cc capacity collector tray. Full technical details from the company.

Keeping computer storage confidential

HOW does a company tell if the confidential information stored away in its compnter files are safe from prying eyes?

The National Computer Centre and Deloitte, Haskins and Sells recently carried out a study involving several large computer users to test if an external auditor could check effectively on a company's computer security.

The reason for the interest in this subject is due to proposed legislation for private data networks. So far the government has been very vague about the possible procedures for inspecting the operation of buge data computers.

The NCC found that external anditors could take on the extra task of data protection inspections provided they hsd knowledge of computer based auditing systems. Today such knowledge is relatively common.

Six organisations including Trustee Savings Bank North West, United Biscuits and Liverpool University participated in the survey. Information stored on the computer systems were varied, ranging from student records, payrolls, to bank account details.

Copies of the NCC's findings are available from NCC, Oxford Road, Manchester, M1 7ED.

Biotechnology

Bleak forecast for the new drug companies

A BLEAK future has been forecast for many of the 200 or so companies which have sprung up to exploit the potential of biotechnology in the production of new drugs.

In a report on the impact of biotechnology in the pharmaceutical industry published by Strategic Incorporated, the U.S. consultancy says that only a handful of companies will eventually survive because of the enormous investment required before new products can reach the market.

Already there are indications that the rush to invest in biotechnology is slowing down as investors realise that their investment is unlikely to show profit for at least five to 10 years.

It has been estimated that it can take about seven years and cost US$ 100m to bring a new drug onto the market beceuse of the rigorous testing needed. In addition biotechnology companies still have many technology problems to solve in moving developments from the laboratory to full scale production.

The first prodnct which will reach the market is likely to be a human insulin. Two manufacturers Eli Lilly in the U.S. and Novo of Denmark have announced their intention to make insulin using the new technology.

Diabetes is one of the most commoo killers today. There are more than 6m sufferers in the U.S. alone.

The Impact of Biotechnology on the Pharmaceutical industry is available from IPI, 134, Holland Park Avenue, London, W11 4UE.

Conference repeat

THE LOCAL area network conference and exhibition beld earlier this year was, according to the organisers, "a huge success" and so is to be repeated next year, March 8 to 10 in London and June 27 to 29 in the U.S.

The three-day conference will take place in two parallel streams, one dealing with key technical elaments and the other bighlighting selection and implementation considerations.

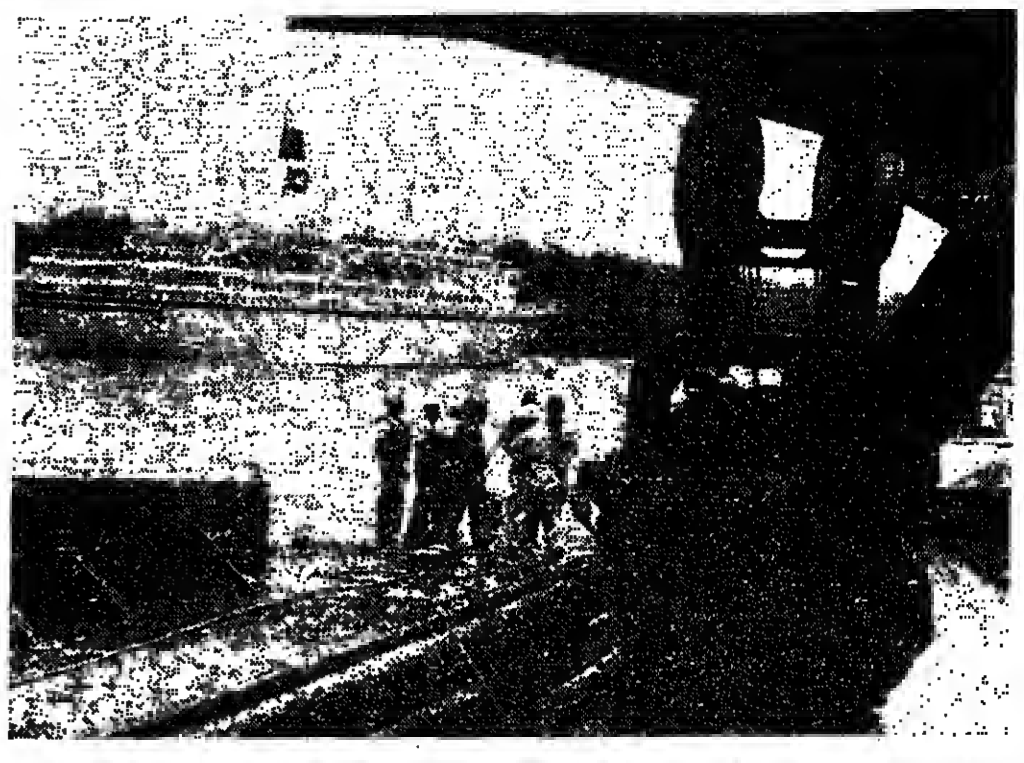
High on the list of topics will be a review of the various standards currently promoted by a number of manufacturers. More from Online Conferences on 09274 2211.

FINANCIAL TIMES SURVEY

Monday August 9, 1982

Panama

Panama is slowly trying to fill the power vacuum created by the death in a plane crash of General Torrijos, the country's benign dictator for 13 years. Relations with the U.S remain uneasy but the stability of Panama, the home of the canal, is vital to Washington



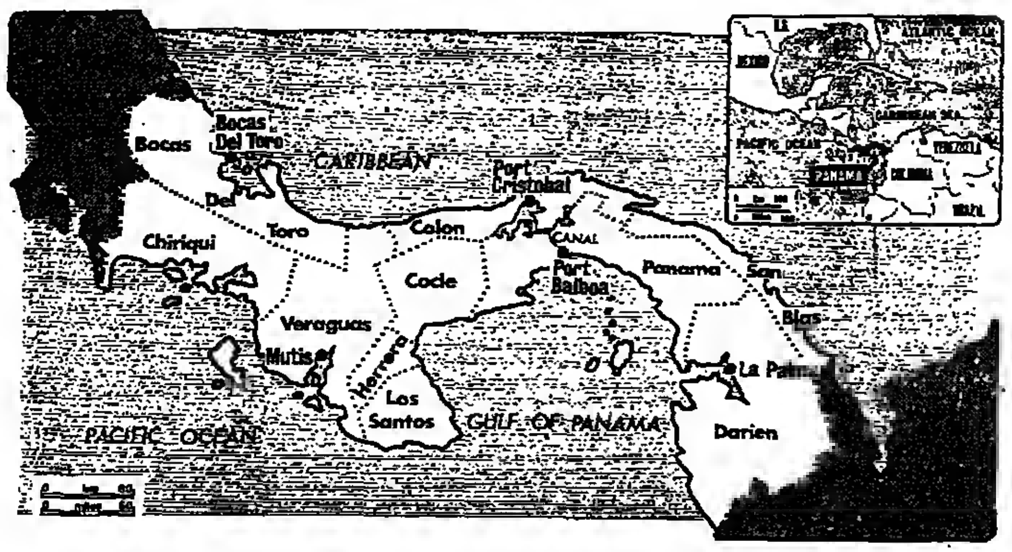
Dredging operations, an important part of the maintenance of the canal, continue as The Royal *Viking Sky makes a northbound transit*

Testing year lies ahead

By WILLIAM CHISLETT

EVERY DAY, people visit a simple marble tomb at the main cemetery in Panama City. The tomb, which always has fresh wreaths by its side, is watched over by four National Guardsmen who stand to attention in the sweltering heat.

On July 31, the first anniversary of the death of General Omar Torrijos, Panama's benign dictator for 13 years, thousands of people converged on the cemetery and gathered at other places around the country for acts of homage sponsored by the Government of President Ricardo de la Espriella and the National Guard, which General Torrijos headed.



The guards' barracks, across from the cemetery, prominently displays a poster carrying one of Gen Torrijos's many sayings. The poster, referring to his death, reads: "Pick up the National Flag, kiss it and carry on with the work."

A current best-seller in Panama is a collection of many of the general's sayings. The airport has been renamed after him and his face stares out from postage stamps and numerous posters.

The visitor to Panama, the home of the canal which acts as a vital funnel for world trade and also of the largest offshore banking centre in the Americas, cannot but be struck by the reverence *still* paid to Gen Torrijos. The power vacuum created by his death in a plane crash is still keenly felt and that vacuum is heightening the sense of unease about the future.

The Panamanian economy which revolves around services like banking and the canal and exports of sugar, coffee and bananas is going through a difficult stage as growth, hard hit by the international recession and low commodity prices, continues to decline. The economy is expected to grow by a maximum of 1 per cent this year after 3.6 per cent in 1981 and there will probably be no growth at all next year.

At the same time, the country is moving towards free elections in 1984: the first since Gen *Torrijos* was brought to power in the 1968 coup against the conservative government of Dr Arnulfo Arias.

Gen Torrijos's closest aides say that had he lived he would not have run in the elections for the official Revolutionary Democratic Party (PRD). The party was formed in 1979, along the lines of Mexico's long-ruling and broadly-based Institutional Revolutionary Party (PRI), in order to legitimise the "revolutionary process" started by Gen *Torrijos*. The *PRD* is an uneasy mixture of Marxists, Social Democrats, businessmen and nationalists.

The general, however, wanted to remain in the background as the commander of the National Guard and the power behind the throne. He had a remarkable *ability, through the force of his* personality, to steer a path of consensus policies and keep both labour and capital happy, something quite out of the ordinary in turbulent Latin America.

His ambition was to continne his progressive internationl foreign policy, which so infuriated Washington and be president of the Non-Aligned Movement in 1983. He would have found a civilian presidential candidate in his mould for the PRD.

Gen Torrijos's death, however, has laid bare the infighting in the Government which was kept at bay while he was the final arbiter, and intensified the jockeying for power. Sr Aristides Royo, whom Gen Torrijos hand-picked in 1978 to be *President, resigned* at the end of last month after falling out with the National Guard. He was replaced by the Vice President Sr de la Espriella.

The National Guard, too, has had its internal differences which culminated in March in the forced retirement of its head, Colonel Florencio Florez, in a palace coup. By most accounts the first President Royo knew about the change was when Colonel Rubén Darío Paredes, the new guard head who quickly promoted himself to general, presented President Royo with a decree to sign legalising the changes. Relations between the executive and the military have been strained.

Gen Paredes is now trying to step into Gen Torrijos's shoes. He is expected to retire next year and to run for the presidency for the PRD.

Meanwhile, centrist opposition parties like the Christian Democrats are trying to exploit the power vacuum and the growing *discontent with* the *Government* by forming a united front against the PRD. To the Government's audible sigh of relief, the opposition, which includes the Panamenista Party of Dr Arias, aged 81, is presently as divided as the Government.

A senior government official said that if the opposition settles its personality squabbles and runs on a united ticket around the figure of Dr Arias it could beat the PRD in the elections. *The official* feared that if this happened and General Paredes was the PRD's candidate, the National Guard might not respect the results for fear of losing its influence. "Panama would then go down the road of El Salvador," he said.

This is an extreme point of view, since Panama and war-torn El Salvador are like chalk and cheese. The remark is only quoted because it does dramatically reflect the sense of unease which has arisen since Gen Torrijos's death. Some pessimistic observers believe that elections could be postponed. The remark also raises the key issue of the future role of the National Guard.

If Gen Paredes is presented as the PRD's candidate, the National Guard will identify itself even more than now with the next government. Sr Ricardo Arias Calderon, the country's *Christian* Democrat leader, believes that the guard is playing with the country's destiny as a democracy if it does not return to a purely professional role.

A cosy relationship has grown up between the guard and the political bureaucracy with the guard now regarding itself as the custodian of the legacy of Gen Torrijos. The upper echelons of the guard were all formed under Gen Torrijos *and most are* said to share his progressive views. The guard appears determined not to allow the clock to be turned back.

Washington long viewed Gen Torrijos as a nuisance in its backyard who was fanning the flames of revolution with his espousal of the cause of the Nicaraguan Sandinistas. Shortly after Gen Torrijos's death, Gen Vernon Walters, President Reagan's diplomatic trouble-shooter, visited Panama and *told* the National Guard command that Washington hoped that now Gen Torrijos was dead Panama would stop "messing around" with revolutionaries. Gen Walters, said a participant at the meeting, was politely told to go to hell.

Panama has not ceased in its

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CONTENTS

PANAMA II

The strong services sector is buoying up an ailing economy. Even so, only minimal growth is forecast for this year.

Hard-pressed to make fiscal ends meet

LOOKING OUT across Panama City from the skyscrapers which accommodate the growing number of international banks, it appears at first sight that Panama's economy is booming.

New luxury apartments and commercial offices are nearing complation and in the tiny capital city, such construction work stands out prominently. But it is a deceptive view and in no way mirrors the true state of the economy which will continue its relentless decline this year, for the third year running.

Real growth, which peaked at 7 per cent in 1979 is officially forecast to be no higher than 1 per cent this year after 3.6 per cent in 1981.

The services and commodities-based economy, which revolves around 127 international banks (using Panama's offsbore facilities), the canal, the Colon free trade zone and exports of sugar and coffee, has been badly bit by the world-wide recession.

But while the economy is ailing, it is in considerably better shape than the other five economies in Central America because it is more diversified.

Panama's situation would be considerably worse were it not for the pivotal position of services in the economy which, while affected by the international recession, give the country a cushion against the sbarp drop in the international price of its commodity exports.

For example, the banking sector grew by 22 per cent last year, while construction declined 7 per cent (the new bousing seen today is the tail end of the 1978 construction boom); manufacturing fell by 2.3 per cent and agriculture, the country's Achilles beel, dropped 1.2 per cent.

Panama's straitened circumstances bave been aggravated by a sbarp drop in revenues caused by lower than targeted tax returns and the high cost of servicing its large external debt of $2.6bn.

Tbe Government based ita modest 1982 budget on receiving $438m in revenues in the first balf of the year, bnt it only received $411m. Tbis shortfall, coupled with the burden on the exchequer of meeting interest payments, bas made budget cuts necessary.

Tbe new President and economic overlord, Sr de la Espriella, said the budget was recently cut by 12 per cent or $150m, mainly in capital expenditure.

Even so, be said this would mean that the $255m public sector deficit target act by the International Monetary Fund (IMF) for this year, under its latest SDR $29m standby credit with Panama, would still be exceeded by some $80m.

Sr Guillermo Chapman, the leading private sector economist, said that but for the budget cuts the deficit would have been $425m.

The other main conditions of the IMF agreement, signed in April for a year, is no across the board wage increase this year for the second year running and a ceiling on net foreign borrowings of $255m, the same as the budget deficit.

Sr de la Espriella, a technocrat widely admired by the internatiooal financial community for his orthodox economic policy, is faced with the delicate issue of trying to keep the lid on public sector wages. Teachers are seeking a $100-a-month increase, but the Government has only offered half tbat amount.

"We simply cannot afford to give into the teachers," be said. "If we do, it will open tha flood gates to other wage demands and would completely undermine our economic policy."

The strike was quickly settled when Sr de la Espriella took office and apparently to the teachers' benefit.

The Government's aim is to bold-off a general wages increase until next year—"we do not want to be another Costa Rica," said Sr de la Espriella, referring to that neighbouring country's state of bankruptcy largely caused by gross overspending, financed from massive foreign borrowing.

Panama's own external debt represented 62 per cent of gross domestic product at the end of 1981. This was down from 68 per cent at the end of 1980 but it is still very high.

The IMF has asked the Government to bring the debt down another 2.4 per cent this year. External debt service payments last year eqnalled 12.5 per cent of total exports of goods and services, up from 11.9 per cent in 1980.

Meanwhile, the grandiose project to develop one of the world's biggest reserves of copper in western Panama—Cerro Colorado, literally the "red mountain"—has been delayed while another feasibility study is drawn up over the next 18 months for a more modest production output of 50,000 tonnes a year.

The low copper prices and the enormous extra foreign borrowing which Panama would need to see the project become a reality (with its joint venture partner Rio Tinto-Zinc, the British multi-national), bave made both sides take another look at the multi-billion dollar project.

William Chislett

ECONOMIC STATISTICS

	1979	1980	1981	1982†
GDP real growth rate (%)	7.0	4.9	3.6	zero to 1.0
Inflation (consumer) (%)	14.0	15.3	7.3	6
Current account deficit	$324m	$286m	$421m	—
External debt (pnblic)	$2bn	$2.21bn	$2.33bn	$2.58bn
Debt service (interest, capital)	$500.7m	$453.8m	$536.8m	

† Estimate.
Source: UN Economic Commission for Latin America (Cepal).

Tower blocks in the financial district of Panama City

MAIN EXPORTS AND IMPORTS

Exports (figures in $m)	1979	1980	1981
Petroleum products	72	82	61
Bananas	66	62	76
Shrimps	45	44	41
Sugar	26	66	63
Coffee	19	19	7
Imports	**1979**	**1980**	**1981**
Oil	301.8	348.8	346.9
Capital goods	150	188.1	204.5

Source: UN Economic Commn. for Latin America (Cepal).

Influx of foreign banks rolls steadily on

THE BANKING sector is now the most dynamic part of tha ailing Panamanian economy and its growth shows no sign of decreasing.

While agriculture, manufacturing and construction are all in the doldrums, international banks continue to aet up sbop in Panama City, the biggest offshore centre in the Americas, from wbere they largely recycle Euromarket funds and some private capital to Latin America.

The sector, housed in a handful of akyscrapers and a few converted bouses, now represents 9.2 per cent of the Gross Domestic Product, a full percentaga point more than a year ago, compared to agriculture's declining 13 per cent.

The 127 Panama-based banks, as against just over 100 two years ago, employ 8,500 people, all but 330 of them Panamanians.

The presence of so many banks gives the hard-pressed Government readily available credit and underscores the international confidence in Panama at a time when confidence in the rest of turbulent Central America is at its lowest ebb.

Assets (which in banking terms means loans) of the banks totalled $44.3bn at end-Marcb compared to $38.8bn at end-March 1981. Bank deposits totalling $38.1bn, most of them borrowed on the international Inter-bank Euromarkets, financed the great majority of the loans.

Last year, nine new foreign banks obtained international licences to operate from Panama and, so far this year, three have been granted general licences to carry out both domestic and offshore business. Among the newcomers are Credit Suisse, Bank Leumi Le-Israel and Mitsubishi Trust and Banking Corporation.

Japanese banks bave boosted their presence in Panama more tban any other country in the last three years. Trade is growing between Japan and Latin America and Tokyo is also keen in becoming involved in the idea of building a sea level canal in Panama to replace the present waterway.

Some bankers are beginning to suggest that the place is becoming saturated with banks. But as long as money continues to be recycled Panama's position is assured. And thanks to the Falklands crisis, which resulted in a transfer of an estimated $2.5bn from the UK and the U.S. to Panama by Argentine, Venezuelan and Peruvian banks, many bankers believe that Panama has a stronger future.

One European banker commented, "The amount is not so important, since money flows in and out of here. The point is that it came bere, and this can only boost confidence."

Numbered accounts can be set up in any currency.

The establishment of international banking facilitiea in the U.S. last December bas not posed the threat which Panama feared it might. All offsbore business in Panama is exempt from tax, unlike in the U.S., and there is monetary security too since the U.S. dollar is the country's legal tender, although for nationalistic reasons it is referred to as the balboa in book-keeping.

Bankers also take beart from the fact that there bave been no changes in the 1970 banking law, the cornerstone of the sector, and they thus feel confident that the status quo is unlikely to be altered very much if at all.

Capital base

However, the National Banking Commission, which vets all new applicants and keeps an eye on the banks' activities, bas mooted the idea of increasing the capital base of banks. At the moment, it is $1m for the majority of banks with a general licence and $250,000 for banks only concerned with offshore business.

Bnt the bankers, represented in their own association, oppose the idea on the grounds that once the 1970 law is altered it will set a preeedent for other changes and make banks nervous.

Sr Mario de Diego, the commission's bead, explained that wbile the law would probably not be changed, some banks had been asked on an individual basis to increase their capital

Having built up a very solid reputation, Panama is anxious to preserve it. The commission, always tougb on who it allows in, is taking a barder look at new applicants.

The Commission is also treading on delicate ground in its attempt to compel those banks with a general licence to pot np a $20m bond issue every two years at a meagre three per cent interest for the depressed agricultural sector. The Legislative Assembly has drawn up a draft law to this effect and it only lacks tbe signature of the President before coming into effect.

The banks fiercely oppose the idea of being forced to invest in the country

Tbe Government, on the other hand, feels that the banks have long reaped fat profits out of Panama and that they should contribute a little to the nation's well-being.

"Is it really in our interests to have the peasants arrive starving in Panama City?" asked a aelf-defined "evolutionist" banker.

According to Sr Mario Fabrega, vice-president of the bankers' association in Panama, a compromise solution has been reached whereby some support will be given to agriculture with interest rates in line with those of the World Bank.

But as far as obtaining commercial credit, Panama bas no complaints. With so many financial institutions at its feet, the Government has no problem raising commercial loans, despite the unsettling size of its external debt which stands at $2.6bn.

When the Falklands dispute was raging and banks were weary of lending to Latin America, a loan to the Republic of Panama was over-subscribed by $100m, ending at $225m. Panama paid 1¼ per cent over Libor, one quarter per cent more than a year ago, but still very good.

Bankers are impressed by the way the Government manages its deht and has succeeded in bringing it down from 72.9 per cent of GDP in 1978 to 62 per cent at end 1981.

At the same time that the banking sector is expanding, a small money market and foreign exchange operation is growing as well as a reinsurance market. The London-based broker firm of Marshalls took over Fultons Panamanian operation in June. Banks do not really need brokers by their side in Panama, but it does save them time and money to bave them there.

W. D. C.

CANAL PAYMENTS

($'000)

Fiscal year	Tolls revenue	Payments
1977	164,685	2,095*
1978	195,735	2,095*
1979	209,522	2,095*
1980	293,444	77,652†
1981	303,080	76,863†

* Before FY 1980 the annual payment to Panama was paid by the Department of State. The Panama Canal Company reimbursed $519,000 to the U.S. Treasury.

† According to the Panama Canal Treaty an annual amount of up to $10m will be paid out of Canal operating revenues to the extent that such revenues exceed expenditures of the Panama Canal Commission. Payment of $2,699,000 was made on July 16 1981 through supplemental appropriation enacted by Congress.

Testing time ahead

CONTINUED FROM PREVIOUS PAGE

efforts to pursue a politically negotiated settlement for El Salvador. In July Panama managed to bring the Salvadorean armed forces, the guerrillas and a personal representative of Fidel Castro around the same table, reportedly for the first time.

Relations with Washington are uneasy, although they are considerably better now than they were before the Torrijos-Carter treaty came into force in 1979 and began to transfer control of the canal to Panama.

Panama was the most vociferous critic in Latin America of the support the U.S. gave to the UK in tha Falklands dispute. Its policy was hardly surprising given the long and bitter history of Panama's own "Falkland Islands"—the canal.

With Central America in turmoil—even the region's only established democracy, Costa Rica, is no longer free from the political violence—Panama's continued stability in the face of revolutions in El Salvador and Guatemala is of great strategic importance to Washington.

Apart from the canal, Panama is the beadquarters of the U.S. Southern Command, which is responsibla for co-ordinating relations with all the armies in the region as well as providing training facilities for officers from all over Latin America.

In the event of Washington ever taking military action in Central America—considered unlikely not impossible—it would almost certainly be directed from Panama. The country, situated as it is at the orossroads of the Americas, is an ideal springboard for the U.S.

As regards the stability of Panama itself, there is no sign of any serious diacontent despite the government's disarray. International banks continue to set up shop in Panama every year, which is a firm stamp of approval that the country remains to the outside world a relatively prosperous island of stability. The country's credit rating, at a time when the gloss is coming off major Latin American borrowers like Mexico, is good; despite the large size of Panama's external debt of $2.6bn which is 62 per cent of gross domestic product.

There is a testing year ahead as the Government implements unpopular economic measures recommended by the International Monetary Fund (IMF) in its latest programme with Panama. Real wages will continue to decline in 1982 for the second year running, particularly in the public sector where the IMF has asked for no across the board salary increase.

Teachers and the government were locked into a dispute in the middle of July over a pay rise which, if given, could unleash an avalanche of other wage demands.

As the country moves towards elections in 1984, with little certainty at the moment that the official PRD is going to win, the Government will be sorely tempted to buy votes with expansionist policies it can ill afford.

Historic waterway struggles to keep pace with maritime traffic forecasts, as David Gardner reports.

Concern over canal's capacity problems

PANAMANIAN guidebooks and tourist handouts seldom make mention of the Panama Canal without adding the gushing comment that the canal is "often described as the eighth wonder of the world."

Historically a unique piece of engineering and built at great human and financial cost, "Teddy Roosevelt's canal" is indeed an imposing sight. But there is growing concern in Panama lest the waterway go the way of the other seven wonders and become of interest primarily to historians and tourists.

Rising costs

The root of the problem is capacity. The 80 km-long canal has three groups of locks to raise or lower ships the 26 metres above sea level that the canal reaches at its highest point. The maximum size of vessel these locks can currently handle is 67,000 dwt—the so-called Panamax size. At a time of rising energy costs, the use of bulk cargo carriers of up to 250,000 dwt taking the longer route round Cape Horn works out cheaper than using the canal.

The second capacity problem concerns the number of transits the canal can accommodate. When the 1977 Torrijos-Carter treaties (setting up a joint U.S.-Panamanian administration, the Panama Canal Commission, to run the waterway until the end of the century) came into effect in 1979, the canal could take 37-38 ships a day. Bottlenecks became frequent, with backlogs of up to 180 ships having to await passage for between three and five days.

This "sent a chill through the shipping industry" recalls Mr Dennis McAuliffe, the Canal Commission administrator, and induced the operating company to step up capital expenditure, which since then has averaged between \$30m-\$35m a year, in addition to an annual outlay of some \$60m-\$80m on maintenance.

More capacity has been eked out, now standing at an average 42 ships a day, and expected to rise to 44 ships a day when the capital improvements programme is finished early next year.

Additional capacity will come from the loss of Alaskan North Slope oil tanker traffic, which will switch to using the new Trans-Panamanian oil pipeline to the west of the canal when it comes on stream in September.

The view is that on this basis the canal will keep pace with maritime traffic forecasts early or mid-1990s.

The two main alternatives being canvassed on what should happen then are to build a new sea-level canal, some 10 miles west of the current waterway, at a cost of over \$20bn, or to expand the existing canal, primarily by building two new and larger sets of locks at the Atlantic and Pacific terminals, and by widening and straightening the Gaillard Cut (originally and appropriately called "the Snake"). The cost of the expansion plan would be \$2bn-\$3bn.

The canal earned a record \$303m in toll revenues in the fiscal year ending last October

This more modest option could accommodate vessels of up to 170,000 dwt, on a par with the Suez Canal, according to Mr McAuliffe, or up to 250,000 dwt, in the view of Lopez Moreno, the Panamanian engineering company which last year did a preliminary study of the expansion plan. Under it, an extra seven ships a day could complete the average 16 hour transit, keeping capacity in line with demand, the Canal Commission believes until about 2005.

Any decision depends on a more detailed estimate of the volume of world trade towards the end of the century, and the size and shape of the merchant fleets and ports that serve it, than currently appears to exist. An additional problem, discussed in a separate article on foreign policy, is the frequent tension between the Panamanian and U.S. Governments over the Canal Treaties.

The U.S. view of the future, as expressed in last year's annual report to Congress on the Canal Treaties, is that "traffic forecasts do not support the sense of urgency advocated by Panamanian representatives for immediate decisions regarding such a major expansion of the canal."

Nevertheless, the long lead-times involved in any expansion project—up to 10 years in the case of a new sea-level waterway—mean that a decision has to be made soon. Last month, Panamanian pressure and Japanese enthusiasm finally persuaded the U.S. to give its blessing to a feasibility study for sea-level canal. The study will also examine the alternative expansion plan.

The Panama Canal Treaties commit the U.S. and Panama to exploring alternatives to the present canal, although the U.S. has so far been reluctant to do so. From the U.S. point of view, only 6 per cent of its maritime traffic goes through the canal. From Panama's vantage, 62 per cent of all traffic originates in the U.S. and 31 per cent is on its way to the U.S. In the case of Japan, the canal's second largest user, only 4.6 per cent of waterway traffic originates there, though 21.2 per cent has Japan as its final destination.

Japan's enthusiasm for the sea-level canal is partly linked to its dependence on imported energy, making the use of ever-larger ships cheaper, but it is mostly the desire to be in on the huge financing requirements and the actual building of a new canal.

The huge financing needs of a new sea-level waterway, which would inevitably require multilateral funding, makes the less ambitious expansion plan the more likely starter.

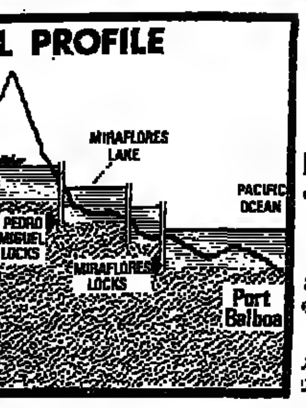
In the meantime, the canal's hold over trans-isthmian traffic is far from secure. The new oil pipeline, from Puerto Armuelles in the Pacific to Bocas del Toro on the Atlantic/Caribbean side, will siphon off \$55-60m a year in canal revenue when working at full capacity of 50,000 barrels an hour, probably by the middle of next year.

Toll revenue for the eight months to May in the current fiscal year has again risen, to \$215.3m against \$200.6m in the same period in 1980-81. Over the full fiscal year, revenue should reach a new peak of some \$320-325m. Next year this figure will fall, whether or not the Commission goes ahead with the planned 9.8 per cent toll increase from October, which would in any case offset less than half the lost North Slope oil traffic.

A further challenge already in place is Mexico's railway "landbridge" for moving containers across the isthmus of Tehuantepec.

Potentially more serious threats, in the view of Sr Fernando Manfredo, the canal deputy administrator and the senior Panamanian in the Panama Canal Commission, come from a whole range of transshipment technologies now available—and not only, clearly, to Panama. Slurry pipelines for example, to transport coal, coke and minerals propelled by water, or grains pipelines using air propulsion, could be built elsewhere in Central America or southern Mexico.

In this context it is worth noting that coal and grains, along with crude oil, are the three main cargoes through the canal. Of last year's tonnage of 189.4m Panama Canal net tons (1 per cent=100 cu ft of cargo carrying capacity), 36.4m was crude oil, 21.6m was coal, and 32m was grains. This certainly goes a long way to explaining Panama's sense of urgency in wanting to explore all the possible alternatives to the existing canal, before its competitive edge becomes irredeemably blunted.



Colon project: a showpiece of the Panamanian economy

Investment soars in trade zone

MORE THAN a decade of uninterrupted growth has made the Colon Free Trade Zone, along with the canal and the offshore banking sector, the showpiece of the Panamanian economy. Turnover last year reached a record \$4.4bn, ten times the 1970 figure and nearly twice the total turnover of 1978, the last complete trading year before land previously under U.S. control was handed back for free trade zone use under the 1977 Canal Treaties.

Added value generated inside the zone has nearly doubled—from \$117.7m in 1978 to \$207.5m last year — and the Colon complex now accounts for just over 4 per cent of Panama's Gross Domestic Product (GDP). Investment in the zone, both public and private, has leaped. In the 1970-78 period a total of \$20.6m was invested. Since the Canal Treaties came into effect in October 1979 nearly \$75m has been poured into the zone as part of a \$133.3m development programme, about half the funds for which are being provided by the World Bank and a consortium of Japanese banks.

Expansion

The 1,000 sq km released to Panama under the treaties opened up the possibility of major expansion for the free trade enclave, tucked into 94 overcrowded acres at the bottom left hand corner of Colon's Manzanillo Bay. Under the current plan:

- The zone's commercial operations are spilling over to 300 acres of new land at France Field across the bay. The new area is already one third occupied by new zone users, while at a later stage the two zones will be linked across land reclaimed from the inner bay area known as Folk River.
- Work on the infrastructure of a new industrial estate on 200 adjacent acres is well advanced. Three companies—from the U.S., Brazil and Hong Kong — are to start putting up the first assembly plants there in November and expect to be operational by June next year.

Yet the zone is having its problems. It suffered the first casualty of its 34-year existence last month when Niramar, a company producing cubic zirconia — a semi-precious stone used for imitation diamond jewellery — ceased trading after accumulating losses put by the company at "close to \$3.5m" over the past three years. The collapse in the price of finished stones from \$25 a carat to \$0.65 was the main element in Miramar's demise.

But the company was one of the first industries to be set up in the zone, with a \$3.5m state credit under a Government scheme to promote labour-intensive light assembly operations. The company's closure is a blow to the credibility of the scheme —known as Maquila and consciously modelled on Mexico's experience in setting-up in-bond light assembly operations on its border with the U.S. — and its ability to generate employment.

The Maquila scheme has managed to attract only four plants to Panama in three years — making tuna fish nets, brassieres and knitwear and processing shrimps imported from India. It has three Italian companies—producing marble products, shoes and hi-fi equipment — in the pipeline, however.

On the commercial side the wave of devaluations in Latin America over the last six months has meant that many of the zone's 600 operators are having trouble getting paid. Nearly two-thirds of last year's \$2.35bn exports went to Latin American markets — principally, Venezuela, Chile, Ecuador and Argentina. Traditionally large stocks are being run down and some companies are believed to be facing severe cash-flow problems. A group of Asian traders of long-standing in the zone said quite simply: "Nobody is buying anything."

The trade zone management believes, nevertheless, that at the present rate of expansion employment by 1985 will have doubled from 1980 levels. According to management figures the number of jobs in the zone rose from 9,490 in 1980 to 11,019 at the end of last year. Preliminary figures show a small net loss this year, so an average — and at the moment unrealistic — total of 3,000 jobs a year will be needed to meet its target. The creation of jobs is a vital element in establishing the trading emporium's social legitimacy, living, as it does, cheek-by-jowl with the worst slum in Panama.

Colon has the highest unemployment, crime and infant mortality rate of urban Panama. One in three males is without a job and the local unions remain to be convinced that the free trade zone can materially alter this. Over 3,000 zone jobs, for example, are casual. By management's calculations these jobs are equal to only 750 full-time posts.

Some account of this at the moment only sporadically explosive situation is taken in the apportionment of the \$133m development funds, exactly a third of which are earmarked for refurbishing the decaying inner areas of Colon, much of them made up of precarious wooden housing, punctuated by corrugated iron and packing-case shacks and barracks put up early this century to house the workers that dug the Panama Canal.

Indeed this large pool of cheap surplus labour — 100,000 in Panama as a whole — is sold as one of the chief attractions of the zone. According to zone management projections labour costs in Colon will over the next three years be one seventh of U.S. labour costs, a quarter of Mexico's and a third of Hong Kong's.

The other selling points include near-comprehensive international banking services, no taxes beyond a maximum 8 per cent income tax, a modern infrastructure (ports and container terminals upgraded at a costs of \$50m, a new airport just over an hour away, potentially unlimited and cheap warehousing space on former canal lands) and, of course, Panama's unique resource, its position.

Everything is in place for new traders and light manufacturers to use these resources to consolidate otherwise fragmented world markets. Whether they do or not will clearly depend on what happens in those markets rather than anything more that Panama can provide.

D.G.

Moves to boost the tourist industry

PANAMA is nobody's synonym for tourism. Yet Panamanian tourism earns as much foreign revenue as the country's five main agricultural and fisheries exports (bananas, sugar, shrimp, coffee and fishmeal, in order of importance) put together.

The sector's contribution to limiting Panama's climbing current account deficit is important but declining, partly because of the growth in spending by Panamanians abroad but mostly because of the more than doubling of Panama's traditional trade deficit over the last five years: from \$493.8m in 1977 to \$1.035bn last year. In 1977, net earnings from tourism covered 28 per cent of this deficit; last year, this coverage had shrunk to 10.3 per cent.

The pall of violence overhanging Central America extends in tourist, if not political, terms to Panama. After a period of selling the region as another, and cheaper, Caribbean, the tourist industry has largely dropped Central America from its catalogues.

The number of visitors to Panama has begun to slide. Figures for 1981 record 360,914 entries, 8.13 per cent down on 1980's 392,069 peak. In the five months to May this year, 141,089 entries were recorded, 6.61 per cent down on the same period last year. Something like a third of this incoming traffic is made up of businessmen, bankers, and convention delegates. Since about two-thirds of the Panamanian economy is based on transit—of cargo and passengers through the canal, of goods through the Colon free trade zone, and of money through the offshore banking sector—much of this clientele is "captive."

In the short to medium term, Panama's best hope of boosting its earnings from tourism is in catering to this traffic, and above all in persuading visitors to stay longer, combining business and pleasure. The state tourism institute (IPAT) appears to have identified this option as the clearest path forward in the apportionment of its capital spending. IPAT, operating on an exiguous annual budget of some \$5m, manages a capital spending programme of \$103.5m.

The major slice of this is a \$47m project—with \$24m provided by the Interamerican Development Bank (IDB)—\$30.9m of which has gone on a major convention centre, ATLAPA (for Atlantic-Pacific). The rest is earmarked for the refurbishment of the city's old colonial quarter (Casco Antiguo) on the western corner of Panama Bay, and Panama la Vieja, the ruins of the old city of Panama burnt to the ground by the pirate Henry Morgan in the seventeenth century.

The 7,000 capacity ATLAPA centre is now 90 per cent finished and has been in business for 18 months. Sr Felix Estripeaux, the fourth new IPAT director in six years, believes that the convention centre's only serious rival in Latin America is Acapulco, and that its credentials will be firmly established after it plays host next year to the IDB annual conference.

D.G.

PANAMA IV

William Chislett examines Panama's amazingly fragmented political scene

Political activities hotting up rapidly

FEVERISH POLITICAL activity is taking place as 13 parties in an electorate of barely 800,000 prepare for the 1984 presidential and general elections, the first since the 1968 coup which brought the late Gen Torrijos to power.

The battle lines are not yet drawn up, as the political scene is amazingly fragmented. There is the official Democratic Revolutionary Party (PRD), formed in 1979; several centrist parties, such as the Christian Democrats and the Liberal Party; the Panamenista Party, run by the legendary octogenarian populist Dr Arnulfo Arias (his third and last Government was ousted in 1968, after only 11 days in office); then there are Left-wing parties like the People's Party, the mainline Communist Party, which supports the PRD. Moves are afoot to try to form a united opposition front to the PRD, which would exclude the Left.

According to a Gallup associated opinion poll, carried out last month in Panama, only 26 per cent of the electorate would vote for the PRD if elections were held now—despite the party's privileged position of working from within the state apparatus.

Half the electorate is undecided, which is hardly surprising given the alphabet soup of political parties, or "social clubs" as those parties which are little more than a handful of personalities are scornfully called. The poll also confirmed the widely held view—and the Government's nightmare—that if an opposition front is formed around the charismatic figure of Dr Arias, then it stands a good chance of beating the PRD.

The PRD is very much modelled on Mexico's long-ruling and broadly-based Institutional Revolutionary Party. The PRD was conceived as a vehicle to legitimise the incongruous political bureaucracy formed since 1968 and to avoid political extremes. Marxists, social democrats and some businessman make up the party's ranks.

While Gen Torrijos was alive, the PRD managed to maintain a semblance of unity since nearly everybody respected his decisions. But his death has brought the divisions right out into the open.

Sr Ernesto Perez Balladares, the remarkably frank secretary-general of the PRD, said that, ideally, the party should elect its presidential candidate by holding a series of primaries representing the various tendencies. But if this happened, the party ran the risk of disintegrating because of intense infighting in the ranks.

"We cannot *allow* ourselves this luxury at the moment," he said.

The candidature of Gen Paredes, the head of the National Guard, would, as a result, be almost certainly imposed upon the party since he was the only man capable of maintaining a consensus.

The PRD is suffering from the unpopular measures which the Government is having to carry out as the economy slows down. A serious revenue shortfall makes it impossible to carry out expansionist (and vote-catching) policies. And the PRD cannot distance itself very much from the Government—to whom it owes its patronage—without weakening the party further.

The PRD has resorted to the totalitarian practice of demanding party membership as a condition for new employment in the public sector. Sr Perez Balladares claimed that this practice had now ended since "anybody can join the party and then vote for another. We have to win people's respect."

He said that only one-in-four people in the 130,000 strong public sector were PRD members and a further 160,000 people outside Government.

At the same time, there is good reason to suspect that the Government is increasing the divisions among the opposition parties by exercising undue influence on the electoral tribunal.

The tribunal, headed by the brother of Colonel Noriega, the chief of military intelligence and the next-in-line to head the National Guard, if Gen Paredes enters the political arena, has accepted the registration of two parties, with the party name of Panamenista. One is a breakaway movement, allegedly encouraged by the Government, and the other is the main sector, headed by Dr Arias.

Dr Arias's colleagues say that he *reluctantly* registered his party after he was told by the tribunal that if he did so, the other party would be declared illegal. But having registered and despite the fact that the tribunal declared that most of the signatures presented by the breakaway group were forged, no decision has yet been made as to which party will carry the name Panamenista.

And to complicate matters, the Supreme Court has ruled that the method used by the electoral tribunal to declare that the signatures were forged, was incorrect. The whole surreal procedure smacks of a crude trick to weaken Dr Arias and confuse the electorate.

The Government and the National Guard are still terrified of Dr Arias. The opposition parties, particularly the Christian Democrats, hope to cash in on this fear and persuade him to throw his support behind a common candidate, but not to run himself because the arduous campaign would wear down his frail health.

"He is still a tremendous vote-catcher," comments Sr Ricardo Arias Calderon, the Christian Democrat leader.

The guard is afraid of Dr Arias because every time he was president he tried to change its high command and reduce its political influence.

The ambitious former vice-president, Sr Ricardo de la Espriella, who became President at the end of July, succeeding Sr Aristedes Royo, whom the late Gen Torrijos had hand-picked to be president

General Paredes—the man to watch

Gen Rubén Dario Paredes, the man most talked-about as the likely presidential candidate of the official Revolutionary Democratic Party

GENERAL Rubén Dario Paredes, the new head of the National Guard, is the man most talked-about as the likely presidential candidate for the official Revolutionary Democratic Party (PRD), when free elections are held in 1984 for the first time in 16 years.

The 49-year-old general, who seized the command from Colonel Florencio Flores in March after an internal coup, is expected to retire from the Army within a year and be nominated by the PRD.

Regarded as the political heir of General Omar Torrijos, the country's strong man who died a year ago, General Paredes is, like General Torrijos, an enigmatic figure.

Had Torrijos lived, his closest aides say that he would not have run for president. However, he wanted to remain the power behind *the* throne. He would have done this by selecting a civilian to be the PRD's candidate.

But with General Torrijos dead and with the guard still very much the main power centre, the *star of the ambitious* General Paredes has risen. Gen Paredes called last month for the elections to be brought forward. The PRD, furthermore, believes that at this moment General Paredes is the only man, civilian or military, with the *charisma* and *capacity* to maintain the consensus policies of late General Torrijos and fill the power vacuum left by his death. The PRD, formed in 1979, is a deeply divided party.

General Paredes is the only military man with *direct administration* and political experience. He was Agriculture Minister in the 1970s.

After studying at the military academy in Nicaragua under the Somoza dictatorship, he worked his way up through the *ranks. At the time of the* 1968 coup he was head of the Colon military zone, the key area near the canal.

In 1969, he was with General Torrijos at the horse races in *Mexico City* when *a group of colonels tried* to oust General Torrijos in his absence. General Paredes returned with General Torrijos to Panama and triumphantly marched on Panama City against the rebellious colonels.

Great emphasis has been placed on the anti-communist tone of some of General Paredes recent speeches. They have been well received in Washington, which regarded General Torrijos as too progressive.

General *Paredes' aides refute* that *he* is playing an anti-communist card and say that he will continue the finely balanced middle path started by General Torrijos.

W.D.C.

Ambitious foreign policy aims to ease Central American conflicts

Panama is once again at the centre of attempts to resolve the daily more volatile problems of the Central American region, as David Gardner reports.

"*I DON'T* want to get into the history books; I want to get into the Canal Zone," is perhaps the best-known of the many pithy remarks attributed to Omar Torrijos, the populist *general* who died in a plane crash last year after dominating Panama for more than a decade as nobody else had done throughout the small Isthmian republic's chequered history.

It was Torrijos' successful prosecution of this aim—the deeply-felt national aspiration to recover from "yankee imperialism" the 1,000 sq km of Canal Zone land that bisects the country—that first gave Panama a place on the world stage quite disproportionate to its tiny size.

Although much of this international projection was bound up with Torrijos' own engaging and forceful personality, Panama after his death is still playing a key regional role, notably through its mediation efforts in the rapidly escalating Central American conflicts.

Torrijos' solution to a foreign policy problem was to internationalise it, bringing to bear the support of other regional and non-aligned nations with potentially common interests.

Thus, when Panama fell out with United Brands in the early 70s, Torrijos successfully mobilised other regional banana producers for the subsequent "Banana War" in 1974, which led to the setting up of the UPEB (Union of Banana Exporting Countries).

His appetite whetted by this early success against the might of the U.S. fruit companies, Torrijos then took on Washington over control of the Canal zone. This was no easy task, bearing in mind the presence of 10,000 troops of U.S. Southern Command in Panama, 10 U.S. military interventions in Panama this century, the last of them in 1964, and the passions aroused in the U.S. during the Canal Treaties negotiations—not least by Ronald Reagan.

But Torrijos was able to convert an issue of *Panamanian* sovereignty into a Pan-Latin American aspiration. Panama won prestige internationally—including grudging respect from Jimmy Carter's Washington too—and equally important, a high degree of social cohesion at home. Rarely can the banner of national unity have been waved to such effect.

Torrijos followed through with an activist regional role which won wide popular backing at home. Panama's logistic and diplomatic support for Nicaragua's Sandinista National Liberation Front, which played a critical role in the revolutionaries' successful efforts to defeat the 40-year-old dictatorship of the Somoza family, is the clearest cut example of this role. But here as elsewhere, Panama did not act alone, but in concert with other nations of the region, principally Venezuela and Costa Rica.

Since then the situation in Central America has deteriorated rapidly. Following the election of President Reagan in November 1979, Panama was at the centre of a last-ditch *attempt to resolve the bloody* conflict in El Salvador by negotiation. The initiative, the so-called Carter six-point peace plan of December 1979, was originated by Torrijos.

The Carter plan foundered, the Panamanians believe, on the intransigence of Cuba, which encouraged the Salvadorean guerillas to go ahead with their abortive "final offensive" of January 1981, in order to strengthen its own negotiating hand against the incoming Reagan Administration.

The move backfired and indeed helped Washington in its efforts to get Cuba ostracised in Latin America, and to underline its thesis that the civil wars in El Salvador and Guatemala and the Sandinista revolution were simply the latest chapter in the East-West super-power conflict.

Panama is again the centre of attempts to resolve by negotiation the daily more volatile Central American conflicts, with an ambitious plan which stands apart from previous attempts to bring peace to the area in that it contains not a single original proposal.

Principal aims

On the contrary, the initiative attempts to synthesize into the basis for a negotiated consensus the declared policy aims of the principal regional powers (the U.S., Mexico, Cuba and Venezuela), and the Central American countries involved. The proposals, contained in a 22-point working paper drawn up at the end of April, have as their principal aims:

- To secure a system of non-aggression pacts between the Sandinista Government in Nicaragua and the U.S., and between Nicaragua and its neighbours in the U.S.-backed, and increasingly hostile Central American Democratic Community (Honduras, El Salvador, Costa Rica, and from July 6, Guatemala);
- To promote a negotiated solution to the civil war in El Salvador;
- and to open a process of detente between the U.S. and Cuba.

The proposals draw on 14 different sources from eight countries ranging from President *Reagan's February* 24 address to the Organisation of American States (OAS) to the February 22 exchange of letters between President Fidel Castro of Cuba and President Jose Lopez Portillo of Mexico.

Thus, point 6 *in* the working paper, which seeks to guarantee the territorial sovereignty and frontiers of the Central American states, to prevent *hostile* armed groups using a neighbouring state's territory as a sanctuary and to control the arms traffic which sustains them, amalgamates Honduran, Panamanian and Mexican proposals with the Sandinistas' approach to Washington in February and the U.S. reply through its ambassador in Managua in April — the last-*known major diplomatic contact* between the two sides.

But the Panamanian attempt to hold the conflicting regional forces to their stated policy aims looks like being swamped by the increasingly violent turn of events. Last month's commitment of Honduran troops to cross-border action against the Salvadorean guerrillas in Morazan province, and the more than 20 clashes between U.S./Honduran backed anti-Sandinista forces and the Nicaraguan army in the last six weeks are pointing the way towards a rapid escalation into a regional conflagration.

Panama, for all its relative stability, would be lucky to escape the consequences of such an outcome. Its efforts have however made *some* headway. Last month, the first, and secret, "prenegotiations" between El Salvador's contending forces took place in Panama. In May, the Pana*manians secured approval* of a 14-point refinement of their proposals from the Presidents of Venezuela, Colombia, Honduras and Costa Rica, a senior Sandinista representative, and the Prime *Minister* of Belize.

The shift in regional alliances that has emerged in the aftermath of the Falklands conflict also tilts the balance slightly in favour of negotiations. Venezuela for example, which had hitherto stood four-square behind Washington on Central America, has given the plan enthusiastic backing. Cuba, which enthusiastically backed Argenina over the Falklands, has mended many diplomatic fences and is showing a new moderation as it "re-integrates" into Latin America in the expectation of backing for its attempts to normalise relations with Washington.

Panama itself however, in the vacuum left by Torrijos, tends increasingly to speak with more than one voice on foreign policy issues. This is partly through fear of the eventual outcome in Central America, and partly because of an unresolved struggle for power between the civilian executive and all-powerful National Guard at home.

For example, when former President Royo argued publicly that Panama should send troops to back Argentina's claim to the Falklands, General Ruben Dario Paredes, the head of the National Guard following a palace coup in the spring, stated categorically that Panama had precisely the requisite number of troops to defend the canal—with no surplus for foreign adventures.

Equally, Sr Royo had *strongly* backed the joint Panama-Venezuelan initiative for a Latin American security conference—excluding the U.S.—in the wake of Washington's support for Britain in the Falklands. Gen Parades on the other hand, said in a much publicised statement that appeared to echo similar sentiments expressed by Gen Wallace Nitting, head of U.S. Southern Command, that the Panamanian armed forces needed more, not less, integration with U.S. forces.

These contradictions have multiplied on the domestic *front. Here too, economic* stagnation, mounting unemployment, and spending restrictions forced by falling tax revenue and increasingly unmanageable foreign indebtedness, have *tempted* Panama into ritual denunciations of the U.S. in a bid to try and revive the sense of national cohesion that was such a feature of the period leading up to the canal treaties.

Grievances

The Panamanians, however, do have genuine grievances over the Treaties. The enabling legislation passed by *the* U.S. Congress on the eve of the setting up of the new joint administration (Public Law 90/76), which actually makes the U.S.-Panamanian more accountable to Congress, cuts a *swathe* through the spirit of the Treaties.

Under this law, the U.S. Federal Labour Relations Authority (FLRA) actually conducted *trade* union elections among Panama Canal Commission employees in May, 1981. Though no doubt within the letter of the Treaties, the move provoked a bitter response from Panama, which *regarded* it as a major diplomatic affront.

Equally, the Panamanians have a strong case when they argue that any use of the 14 U.S. Southern Command bases *in the country* to intervene in neighbouring countries—if in fact the bases are part of such intervention—is a clear violation of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, as well as the Protocol to the Treaty, signed by 17 countries.

But many of Panama's objections appear more designed to reforge a sense of national purpose and look increasingly transparent. This sense of drift is hardly surprising. Torrijos was able to combine support for the Sandinstas with friendship *with* Carter. While taking on the U.S. fruit companies he created the conditions for the largest offshore banking centre in the Americas. While giving strong backing to reformist-minded officers in the Salvadorean and Honduran armies—support which extended to trying to plan a coup in the former case—it was Torrijos who gave *refuge* to the Shah of Iran at Washington's behest.

Even in this, one of his most controversial actions, Torrijos' all-encompassing pragmatism shown through: "Three thousand years of empire *reduced* to 10 people and a dog," was his comment after his only meeting with the Shah. A hard act to follow in more ways than one.

هكذا من الأصل

TELEVISION

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.20 Hong Kong Phooey. 9.30 Jackanory. 9.45 Paddington. 9.50 Why Don't You . . .? 10.15-10.35 Think! Backwards. 1.00 pm News After Noon. 1.30-1.45 Postman Pat. 3.40 Home on Sunday. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Heyyy, it's the King. 4.55 John Craven's Newsround. 5.05 Ticket to Ride. 5.35 The Perishers.

5.40 News.
6.00 Regional News Magazines.
6.25 Best of the West, starring Joel Higgins.
6.50 Comic Roots: Roy Hudd's Croydon.
7.20 Doctor Who and the Monsters.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "A Guide for the Married Man," starring Walter Matthau and Robert Morse.
10.55 BA in Music: B. A. Robertson introduces his latenight show.
11.28 News Headlines.
11.30 Taking the Strain: Noel Edmonds investigates stress.

Tonight's Choice

There are not many laughs in Croydon but Roy Hudd will probably extract a few when he goes back there in the **Comic Roots** series about how comedians started (BBC-1 6.50). **Panorama** investigates the IRA men who find refuge in Eire and the U.S. Best on BBC-2 could be **Turns** in which Jimmy Perry, writer of **Hi-De-Hi!** recalls the variety theatres of the '30s and 40s. Sometimes it seems that the only film to survive from the Music Hall is of Wilson, Keppel and Betty—it will be good to see more.

ITV, in Thames at least, is screening **Frenzy**, made in 1972 by Alfred Hitchcock in London. Since most of the scenes were *set in Covent Garden it will seem* as historical as some of the master's 1930 epics. Earlier **A. J. Wentworth BA** continues. The original stories are classics but, despite Arthur Lowe, there is a lack of style about the series.

Radio 3 celebrates two anniversaries—those of Philip Larkin and Solomon. Larkin is honoured with a sequence of poetry and jazz, featuring Bessie Smith among others, and on his 60th birthday. Solomon plays on record Scarlatti, Haydn, Chopin and Beethoven to mark his 80th.

ANTONY THORNCROFT

BBC 2

6.40-7.55 am Open University.
10.30-10.55 Play School.
5.10 The Interview.
†5.40 Laurel and Hardy in "Me and My Pal."
6.00 The Waltzing Policeman.
6.05 The World About Us.
6.55 Six Fifty-five Special.
7.25 News Summary.
7.30 Welcome to Wodehouse.
7.45 Best of Brass.
8.20 The Paul Daniels Magic Show.
9.00 Pete Sayers Electric Music Show.
9.30 Third Eye.
10.20 Turns.
10.50-11.40 Newsnight.

LONDON

9.30 am Sport Billy. 9.50 Do We Really Need the Rockies? 10.45 Crazy World of Sport. 11.10 Little House on the Prairie. 12.00 Cocklesbell Bay. 12.10 pm Rainbow. 12.30 Under Fives. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Van der Valk. 2.30 Monday Matinee: "The Blue Lagoon" starring Jean Simmons and Donald Houston. 4.15 Dr Snuggles. 4.20 Ragdolly Anna. 4.30 Rowan's Report. 4.45 Watch All Night. 5.15 Diff'rent Strokes.

5.45 News.
6.00 Thames News with Rita Carter and David Bellin.
6.25 Help! Community action with Viv Taylor Gee.
6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 A. J. Wentworth, BA.
8.30 World in Action.
9.00 Quincy starring Jack Klugman.
10.00 News.
10.30 "Frenzy" starring Jon Finch, Alec McCowen and Barry Foster.
12.35 am Close: Sit Up and Listen with Sian Phillips.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

9.35 am European Folk Tales. 9.45 The Adventures of Niko. 10.15 The Galway Way. 11.10 North Sea Saga. 11.50 Captain Nemo. 1.20 pm Anglia News. †2.30 Monday Film Matinee: "A Cry from the Streets," starring Max Bygraves. 5.00 About Anglia. 5.30 Benson. 8.00 Minder. 10.30 Indoor Bowls. 11.15 Thriller. 12.40 am Reflection.

BORDER

9.30 am History of the Motor Car. 9.55 Vicky the Viking. 10.15 Untamed World 10.40 Flying Kiwi. 11.00 Roses Cricket: coverage of the match between Lancashire and Yorkshire from Old Trafford. 1.20 pm Border News. 2.30 Roses Cricket. 5.15 Private Benjamin. 6.00 Lookaround Monday. 5.15 Campaign: Imphal. Burma 1944. 6.30 Try for Ten. 10.30 Thriller. 11.50 Border News Summary.

CENTRAL

9.45 am The Galway Way. 10.45 Bailey's Bird. 11.10 Venture. 11.35 Stingray. 1.20 pm Central News. 2.30 The Monday Screen Matinee: "Battle Beneath the Earth." 5.15 Survival. 6.00 Central News. 8.00 Minder. 10.30 Contrasts. 1.05 Lou Grant. 12.05 am Come Close.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.30 The Monday Matinee: "The Jokers." 5.15 Here's Boomer. 6.00 Channel Report. 6.15 Sungray. 6.30 Happy Days. 9.00 Lou Grant. 10.28 Channel Late News. 10.35 Aujourd'hui en France 10.40 Thriller. 12.00 News and Weather in French.

GRAMPIAN

9.30 am First Thing. 9.35 Sesame Street. 10.35 Children's Morning Matinee: "The Grizzly and the Treasure." 1.20 pm North News. 2.30 Monday Matinee: "East of Sudan," starring Anthony Quayle and Sylvia Syms. 5.15 The Electric Theatre Show. 6.00 Summer at Six. 6.30 Pro-Celebrity Angling. 9.00 Minder. 10.30 Feature Film: "Neither the Sea Nor the Sand." 12.15 am North Headlines.

GRANADA

9.30 am The History of the Motor Car. 9.50 Sport Billy. 10.10 Untamed World. 10.35 The Flying Kiwi. 10.55 The Roses Match. 1.20 pm Granada Reports. 1.30 Exchange Flags Promenades. 2.00 About Britain. 2.30 The Roses Match. 5.15 The Two of Us. 6.00 The Roses Match. 6.30 Granada Reports News. 6.35 The Summer Show. 8.00 Strangers. 10.30 Thriller. 11.45 Superstar Profile.

HTV

8.55 am Beachcombers. 10.20 Kum Kum. 10.40 Clapperboard. 11.05 Vicky the Viking. 11.30 The Greatest Thinkers 1.20 HTV News. 12.30 Monday Matinee: "All Night Long," starring Patrick McGoohan. 4.15 Warner Brothers Cartoon 5.15 Mr Merlin. 6.00 HTV News. 9.00 Minder. 10.28 HTV News. 10.30 Soap. 11.00 Police Story.

HTV Cymru/Wales—As HTV West except: 11.05-11.30 am Bailey's Bird. 12.00-12.10 pm Dacw Mam Yn Dwad. 4.20 On Safari. 4.45-5.15 Goglis. 6.00 Y Dydd. 6.30-7.00 Report Wales. 11.00 Nosweithiau Roc Sêr. 12.00-12.30 am The Amazing Years of Cinema.

SCOTTISH

10.00 am Target the Impossible. 10.25 Portrait of a Village. 10.50 Amazing Years of the Cinema. 11.15 Adventures of Parsley. 11.20 Brass in Concert. 1.20 pm Scottish News. 2.30 Action and Adventure: "Wanted: The Sundance Woman" 6.00 Scotland Today. 6.40 Crime Desk. 9.00 Minder. 10.30 Late Call. 10.40 Police Story.

TSW

9.35 am Sesame Street. 10.35 Story Hour. 11.25 Untamed World. 11.50 European Folk Tales. 1.20 pm TSW News Headlines. 2.30 Feature Film: "Father came too." 4.12 Gus Honeybun's Magic Birthdays. 5.15 Here's Boomer. 6.00 Today South West. 6.30 Happy Days. 9.00 Lou Grant. 10.52 TSW Late News. 10.35 Postcript. 10.40 Thriller. 12.00 South West Weather.

TVS

9.30 am 3-2-1 Contact. 10.00 Friends of My Friends. 10.25 Tarzan. 11.15 The Real World. 11.45 Larry the Lamb. 1.20 TVS News. 2.30 Monday Matinee: "Battle Beneath the Earth," starring Kerwin Mathews. 5.15 The Adventures of Black Beauty. 6.00 Coast to Coast. 6.30 Staying Alive. 9.00 Minder 10.30 Hill Street Blues. 11.30 The Jazz Series: Ronnie Scott's guests are the Stan Tracey Quartet and Julie Amiet. 12.00 Company.

TYNE TEES

9.20 am The Good Word 9.25 North East News. 9.30 Hands. 9.55 Sesame Street. 10.55 Roses Cricket: Lancashire v Yorkshire. 1.20 pm North East News 2.30 Roses cricket 5.15 The New Fred and Barney Show. 6.00 North East News. 6.02 Gambit. 6.30 Northern Life. 8.00 Minder. 10.30 North East News. 10.32 Thriller. 12.00 Lawrence's Law.

ULSTER

10.10 am Sesame Street. 11.10 240 Robert. 1.20 pm Lunchtime 2.30 Monday Matinee: "Battle Beneath the Earth," starring Kerwin Mathews. 4.13 Ulster News 5.15 Film Fun with Derek Griffiths. 6.00 Good Evening Ulster. 6.30 Private Benjamin. 9.00 Minder. 10.29 Ulster Weather 10.30 Welcome Back Kotter 11.00 Pro-Celebrity Angling. 11.30 News at Bedtime.

YORKSHIRE

9.30 am Sesame Street. 10.30 Jason of Star Command. 10.55 The Roses Match: coverage from Old Trafford, between Lancashire and Yorkshire. 1.20 pm Calendar News. 2.30 The Roses Match. 5.15 The Roses Match. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Happy Days. 9.00 Minder. 10.30 Brass In Concert. 11.15 Journey to the Unknown.

RADIO

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 8.00 Simon Bates. 11.00 Dave Lee Travis. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.00 Steve Wright. 4.30 Peter Powell 7.00 Stayin' Alive. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Don Durbridge (S). 7.30 Ray Moore (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S) 5.45 News; Sport 6.00 John Dunn (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttleton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Law Game. 10.30 Star Sound. 11.00 Brian Matthew presents Round Midnight (stereo from midnight) and 12.05 Sports Desk. 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News 9.05 This Week's Composer: Frank Bridge (S). 10.00 Collegium Aureum (S). 11.05 Anthems by Ebdon and Camidge (S). 11.35 John Field Piano Concertos (S). 1.00 pm News. 1.05 Heifetz and Piatigorsky (S). 2.00 Matinee Musicale (S). 2.55 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.35 Music for Organ (S). 7.00 Plants, Genes and Numbers: An appreciation of geneticist and statistician Sir Ronald Aylmer Fisher 7.30 Proms the Royal Albert Hall, part 1: Vaughan Williams (S). 8.10 What Books I Please. 8.30 Proms, part 2: Rachmaninov, Bartok (S). 9.30 Days: Sequence of poetry for Philip Larkin's 60th birthday. 9.55 Solomon at 80 10.45 Jazz in Britain featuring Company (S). 11.15-11.18 News.

RADIO 4

8.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today. 8.35 The Week on 4. 8.43 The Midnight Fox by Betsy Byars. 8.57 Weather, travel 9.00 News. 9.05 Start the Week with Richard Baker (S). 10.00 News. 10.02 A Small Country Living. 10.30 Daily Service. 10.45 On Holiday. 11.00 News. 11.03 own Your Way visits Dover, Kent 11.48 Ad Hoc Cookery. 12.00 News 12.02 pm You and Yours 12.27 What Ho! Jeeves. 12.55 Weather, travel; programme news. 1.00 The World at One 1.40 The Archers 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre 4.30 What Shall We Tell the Children? 4.40 Story Time. 5.00 PM News magazine 5.50 Shipping forecast 5.55 Weather; programme news. 6.00 News including Financial Report. 6.30 Just a Minute (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker (S) 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather 10.00 The World Tonight 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Music at Night. 12.00 News.

APPOINTMENTS

Waddingtons names managing director

Mr Tony Murphy, managing director of John Waddington of Kirkstall, is the new managing director of WADDINGTONS. **Mr Colin Cansfield**, managing director of Waddingtons Business Forms, becomes managing director of John Waddington of Kirkstall. **Mr Tony Mason**, previously managing director of Waddingtons, becomes managing director of Waddingtons Business Forms.

★

Mr Ken Forster has been appointed regional director of operations of HANDLEY-WALKER.

★

Mr George Richardson has been appointed to the board of SIMON ENGINEERING as finance director with continuing responsibilities for the Group's finance and corporate planning functions.

★

Mr Tony Morgan, sales and barley purchasing manager with MORAY FIRTH MALTINGS, has been appointed an executive director.

★

Mr Jim Smith, projects director, has been appointed managing director of UK-based chemical plant contractors SIM-CHEM (a Simon Engineering company) from August 1 upon the retirement of **Mr Marc Hamshaw**.

★

Mr Frank Keal, director, Davies Pritchard and Richmond has been elected chairman of the POSTAL EQUIPMENT TRADE ASSOCIATION of Great Britain succeeding **Mr Paul Beecham**, IDC.

★

Mr A. R. Matante, deputy chief general manager, is to retire from PHOENIX ASSURANCE on December 31. **Mr J. G. Fordyce** has been appointed general manager (home) and **Mr G. Deyes**, deputy general manager (home) from October 1.

★

AGB Research has made the following appointments to the board of its subsidiary, AUDIENCE SELECTION AND TELSALES. **Miss Debbie Walter** has been appointed research director and **Mr Eamonn Santry** has been appointed sales director.

★

RACAL - DECCA MARINE NAVIGATION has appointed **Mr Alan D. Wheeler** technical director. He was a director of System Designers.

★

Mr P. A. FitzSimons has been appointed to the board of CHEF AND BREWER as a non-executive director. Mr FitzSimons is finance, systems and strategy director of the brewing and retailing division of Grand Metropolitan, finance and systems director of WMTB and a non-executive director of Watney International.

★

Mr Brian Coe, head of marketing, has been appointed to the board of RADIO RENTALS as marketing director.

★

Mr Gordon Cumming, formerly director of Grindlay Brandts Insurance Brokers, has been appointed managing director of CHILTERN CRAWFORD INSURANCE SERVICES.

★

Mr Tim Rathmell has been appointed managing director of DOWSETT PILING AND FOUNDATIONS, part of Wests' Group International. For the past two years he has been overseas director, having transferred from associated company Wests' Piling, where he was managing director of the Singapore subsidiary. **Mr John Manson**, managing director since Dowsett Piling was founded in 1964, has retired.

★

CARLTON REAL ESTATES has made the following board changes: **Mr Leo Toppin** has resigned as chairman, but remains a director. **Mr Graeme Jackson** has been appointed chairman and **Mr Richard Prickett** financial director. **Mr Dennis Collett** has become a non-executive director. Mr Jackson, Mr Prickett and Mr Collett are all directors of London and Manchester Securities.

★

THE NATIONAL FREIGHT CONSORTIUM has made two new senior financial appointments following the reorganisation of its main operating groups and the creation of a new property group. **Mr J. C. H. Mellor** becomes Group finance director, Pickfords Group and **Mr H. Lafferty** Group finance director, Property Group. Both appointments are from October 1.

★

W. A. TYZACK has made the following board changes: **Mr F. H. Davies** has been appointed chief executive, **Mr J. A. Tyzack** has become joint managing director (international) and **Mr D. W. Wenninger**, company secretary, financial director. **Mr G. V. Gomersall**, commercial director, has retired.

★

In order to devote more time to *other main board activities*, **Mr David Phillips** has been succeeded as Group company secretary of LEIGH INTERESTS by assistant Group company secretary, **Mr Derrick Armstrong**.

★

Mr Jun Utsumi is to take over as acting managing director of OMRON TERMINALS (UK), British subsidiary of a Japanese electronic cash register manufacturer, following the resignation of **Mr Peter Russ**. Mr Utsumi was previously planning director.

★

Mr Robin Cobb, deputy chairman and managing director of Maclean-Hunter, and **Mr Timothy Gold-Blyth**, managing director of the Publishing Group of Argus Press, have become directors of the PERIODICAL PUBLISHERS ASSOCIATION.

★

SACCONE & SPEED has appointed **Mr A. J. Conway** as financial director. He was director, planning, analysis and control for Avis. **Mr J. S. Nordberg** becomes personnel director. He was personnel director, UK Hotels, with Grand Metropolitan Hotels.

★

STAFFA PRODUCTS has appointed **Mr David Brewer** as director of product engineering.

★

The SCOTTISH MILK MARKETING BOARD has appointed **Mr Andrew L. Howie** as chairman in succession to **Mr Robert A. Lammie** who has retired. **Mr William Weir** becomes vice-chairman, the post formerly occupied by Mr Howie.

★

Mr M. E. Acland has resigned from the board of MANOR NATIONAL because of other commitments. **Mr T. H. Needham** has joined the board as a non-executive director. He is a former local executive director of Barclays Bank.

★

The CALOUSTE GULBENKIAN FOUNDATION has appointed ***Mr Iain Reid*** as assistant director (Arts) of its UK branch from October 4. He is drama officer for the Greater London Arts Association, and succeeds **Mr Ian Lancaster** who has left the Foundation to set up his own company dealing with holography, video and computer graphics.

★

Mr John M. Hirst has been appointed managing director of RACAL ANTENNAS. He was deputy managing director.

★

The INNER LONDON EDUCATION AUTHORITY'S new director of finance is to be **Mr David Riggs**, at present an assistant comptroller of finance for the Greater London Council. The previous finance officer, **Mr Sydney *Woodman***, *died last* December. Since then, **Mr Leslie Whiteman** has been acting finance officer but he retires in September. Mr Riggs will have responsibility for an annual ILEA revenue and capital budget of more than £800m.

RACING

BY DOMINIC WIGAN

SOBA will be in the line-up for today's Northumberland Sprint Trophy against the advice of jockey David Nicholls, with whom she has won eight out of her nine races since her 33-1 success in a Thirsk maiden in May.

After the Stillington filly had won Saturday's Coral Bookmakers' Handicap at Haydock, her handler, David Chapman, said: "I will see how she is tomorrow morning before deciding whether to run her in the Northumberland Sprint. She won't get a penalty for this win."

Nicholls, however, made it clear that he was against the idea of saddling the filly. "I wouldn't recommend running her because she is still young. She is only three," he said.

Soba may win today's race—she will probably be odds-on to do so—but the filly's long-term, and possibly short, future might have been better served by heeding her young rider's advice.

Saturday's race appeared to be an easy win. However, she has run nine times since May 8 and only 13 days ago overcame the worst draw in what is arguably the season's toughest and most exacting sprint, the Stewards Cup.

A better bet for today's big sprint is Blue Emmanuelle, who has the advantage of a high draw near the rails. The head conqueror of Crown in the Sporting Chronicle Handicap at Haydock early in July, Blue Emmanuelle completed a fine double at the last Newcastle meeting by landing the Harry Peacock Challenge Cup from Ben Jarrow just a day before Soba's big Goodwood triumph, the three-length winner of the Harry Peacock race, Blue Emmanuelle receives 17 lbs from Soba.

The six-furlong Nottingham Stewards Cup gets under way after the Northumberland Sprint today. Thirteen runners have been declared for the race including Soba's stable companion, Music Night. The five-year-old should go well but probably not fast enough to cope with Chris's Lad.

NEWCASTLE
2.30—Eastbrook
3.00—Dragon Fire
3.30—Blue Emmanuelle***
5.00—Hydrangea

NOTTINGHAM
3.45—Chris's Lad
4.45—Secret Lightning

WINDSOR
2.30—Boy Trumpeter**
3.30—Worrell*

How Mike Woodcock got hold of a fast little number

Jason Crisp begins an occasional series on companies exploiting the liberalised UK telecommunications market

After the Monopoly

ASSOCIATED Business Systems is one of the more exceptional companies to leap in and seize the opportunities created by the liberalisation of the UK telecommunications market. It is remarkable for the speed at which it has operated and for its agility in aidesteppiog the bureaucratic and technical obstructions that beset anyone entering the field.

When the Government announced plans to open up the Britisb telecommunications market in 1980, Mike Woodcock, ABS's managing director, recognised the opportunities it would present.

Ha was already close to the market. After a period with Telephone Rentals he set up on his own in 1971 with a small electrical engineering company in Dorset installing telephone equipment. Today it employs about 30 people and numbers household names among its customers.

Woodcock decided that the quickest, and probably cheapest course open to him was to employ a consultant to look for a suitable product made overseas wbicb he might sell here. ABS was aetup as a aubsidiary of his installation company with this in mind.

The product he found was a "callmaker" made by DASA, a company based in Boston, Masaachusetts. The callmaker is not a highly sophisticated product. It can store 100 to 200 telephone numbers on a magnetic tape which are listed alphabetically and selected manually. At a push of a button it diala the number and, as it has a loudspeaker, there is no need to pick up the handset until the call is answered.

ABS first started importing and selling the callmaker a year ago as a "non-approved" product. This meant that, although it was perfectly legal to sell the equipment, it was technically illegal to use it on the public network. Armed with the Yellow Pages directory the fledgling ABS began mailing businesses in central London.

The callmaker found a remarkably strong demand, despite its £325 price, selling over 1,000 last year with limited marketing effort or resources. And in December last year when the Department of Industry made its first trawl for products for approval ABS submitted the callmaker.

Meanwhile, ABS had become aware that DASA. the U.S. manufacturer, had got into financial difficulties and was anxious to sell the rights for the callmaker to raise cash. Since it already knew that there was a good demand for the product ABS commissioned ICFC Consultants to look at the feasibility of making it in the UK. The recommendation was that this was a good opportunity and that ABS should buy DASA's manufacturing capability. ABS was convinced that the callmaker would be made more efficiently in the UK than in the U.S.

ABS set about buying the worldwide rights to produce, manufacture and distribute the callmaker and purchase DASA's stock, most of its manufacturing equipment, plastic moulds and patents. In addition it bought the worldwide distribution rights outside the Americas of the next generation of callmaker. This was all electronic and included a light-based two way loudspeaking device which had cost £15m to develop.

Woodcock certainly did not have the £650,000 needed to clinch the deal and set up in the UK. In a disarmingly casual way he says: "I had never raised that sort of money before and only knew you were supposed to get it in the City. So I spent most of January going around banging on doors."

The door which eventually opened was at stockbrokers James Capel. which arranged for Woodcock to meet a number of institutions. And although the money had not been raised negotiations with DASA were reaching their final stages.

Two remarkable things stand out with ABS: the price it paid DASA for the worldwide rights for the products and the speed at which everything happened.

The actual decision to try and buy the plant and the rights was made on New Year's eve. January was spent hawking the idea around the City, the finance was raised in February, in March a final agreement was made with DASA, and the plant was shipped from Massachusetts to Dorset. During April it was assembled in three modern factory units knocked into one and production began in May.

On the evening of June 3 it became the first company to receive government approval for a new telecommunications attachment and the next morning the factory was officially opened by a junior minister. During that time it concluded export deals worth £3.5m with distributors in France, Spain and the Netherlands.

The price it eventually paid DASA was £300.000 plus £500,000 in royalties over a two year period. ABS raised £650.000 from S. G. Warburg, London Life, Ivory and Sime and ICFC, leaving the directors with a minority stake, thus splitting ABS from Woodcock's original company.

Late last month it raised a further £300.000 in a rights issue to establish production facilities to make the advanced electronic computerised callmaker.

Since going into production ABS has developed a variant on the more basic callmaker which prevents a telephone being used for personal calls. It has also licensed an automatic call diverter from an Australian company. If someone rings, say, a doctor's surgery when no-one is there the diverter will automatically dial out on another line and connect the caller directly to the doctor's home.

And although it is also developing its own products it is still looking to manufacture other companies' equipment for sale in the UK and EEC. But Woodcock is wary of becoming just a jobbing company churning out other people's products. He is also unlikely to start making higb volume low margin equipment—such as ordinary telephone handsets.

ABS currently employs 75 and ia recruiting more. It expects to employ 300. As Woodcock puts it—mainly for the benefit of the Department of Industry —"The number of jobs we create here is totally dependent on the rate at which our equipment receives approval for connection to the network."

Manufacturing output is still being stepped up gradually. Currently ABS is producing 1S0 callmakers a week. Woodcock envisages that the factory will be run on two shifts. He is also expanding his premises; he is likely to take up an option on a fourth factory unit and is looking at a further two. And since ABS haa been making the callmakers its price has fallen from £325 to £200.

Tbe setting up and running of the manufacturing side of the business is tbe responsibility of Tony Wilson who joined Woodcock from ICFC. Although Woodcock had run hia own company for ten years be did not have any experience in manufacturing.

ABS has yet to establish firmly its marketing operation. Although it has had some remarkable successes in export markets it still bas to set up a full distribution system in the UK. The objective is to hava an outlet in each country—either traditional office equipment suppliers or telecommunications specialists. At present it has a very limited cover of tbe UK.

Obviously it would be foolish to make great predictions on the future of a company so young and in such a competitive market. But so far it is showing every sign of being the sort of successful entrepreneurial company taking advantage of the liberalisation of telecommunications that the DoI is so desperately keen to see. The only pity is that AB5 is ona of such a rare species.

Hugh Routledge

Mike Woodcock: ABS's callmaker was the first product to receive government approval for a telecommunications attachment

On their bikes

Associated Bnsiness Systems' much valned assistant managing director, Tony Wilson, bad not ridden a hicycle for a good many years. So when Micbael Woodcock, his managing director, watched hlm wobble alarmingly in front of a double-decker bus in a busy London street, be began to wonder if tbeir jannt was such a good idea.

ABS was on the brink of pulling off a remarkable deal whicb would give it worldwide rights to a telecommunications prodnct; this would also give it a very useful foothold to tackle tha newly liberalised UK market.

But it needed to raise some money. In an attempt to do this it bad arranged to maka a presentation to the City merchant hank, S. G. Warburg. As the Dorset-based ABS was a newly set np company much depended on the personal impression the senior directors could make.

But on the day of the presentation there was both a rail and a tuba strike. The three drove to London in Woodcock's Volvo estate with three bicycles — his own, his daughter's and one requisitioned from a member of staff. They parked in Regents Park and — clad in bright yellow oilskins — weaved their way to the City in pouring rain.

As they cbained their hikes to the railings ontside Warbnrg's comfortable offices, Woodcock mnttered to his colleagues: "For God's sake, don't forgat to take off your cycle cllps before wa go in."

Several bours later wben they reclaimed their machines Warburgs bad agreed in principle to take over 40 per cent of the company's equity. And for one wet ABS director it no longer mattered that he had no mndguards.

The terminal risk of failing to innovate

IF YOU want to survive in a new industry, you need not be the first to break into it. But you'd better be a pretty quick aecond or third, for otherwise no amount of cash or production volume will buy your way in.

This warning, from Professor James Utterback of the Massachusetts Institute of Technology, is a particularly bitter pill for established companies which find their territory invaded by an outsider'a radically new product or technology. Utterback says that establiahed firms tead to react to competitive new products and technologies by improving their existing ones, rather than rapidly switcbing to the new.

As a result, though the improved versIon may flourish for a time, the established company almost always ends up being forced out of the market by the intruder.

Utterback'a warning is contained in a new MIT publication on "The Innovative Process, Evolution versus Revolution."* Based on a private symposium for senior executives of member companies of MIT's Industrial Liaison Program, the report also contains contributions from some of the world's leading academics in enzymes and biotechnology, microelectronics, office automation and electronic publiahing.

Until recently, Utterback says be (in the company of other academics) believed that a company had a wide ranga of options for entering a new technological market. "You could enter early with a good product and product innovation, enter later with superb process technology and attention to . . . production and still later with attention to scale, finance, capital resources and location."

But having broadened his researches to more and more industries, be now suggests a less rosy picture. The successful firms had all entered before the appearance of wbat Utterback calls tbe "dominant design." Firms that entered later tended not to survive very long and those that entered before the dominant design emerged but did not then shift their emphasis towards increasing productivity in tbe manufacturing process, failed.

Entry costs rise dramatically through this cycle, Utterback stresses. Early on, entry costs in the integrated circuit business were of tha order of $100,000 to $300,000; when Intel entered in 1967, they were $3m. and today they are estimated to be between $30m and $300m.

The "dominant design" integrates within it many of the performance characteristics of early variations of the product —it becomes a sort of multipurpose standard. In other words. Utterback cites tha example of the Model T Ford, whose front, water-cooled engine and rear drive became the dominant design for some years, after a period when the motor industry had offered cars with steam, electric, or internal combustion power, together with front or rear wheel drive, front or rear engines, and many other kinds of variant.

One of the reasons why latecomers find it difficult to break in after this stage is that the move towards standardisation of the basic design offers the innovative firm the opportunity to shift towards larger-scale production processes, with all its advantages of unit cost rednction. Not all companies with brilliant product ideas actually make this shift, however, and fail as a result.

Revolutionary

It remains to be seen whether this near-rule will be affected when flexible manufacturing systems, computer aided design and so forth really fulfill their promise of much more cost effective short production runs. But there is little reason to think this will alter Utterback's conclusion that revolutionary change in new products—unlike radically new process technologies—tend to be brought in by new entrants.

In the electronics industry, naw entrants came in with the transistor, a further set of new ones with the integrated circuit, and yet another set with the microprocessor. In each case several established companies tried to break in, and some succeeded. But the dominant creative force has been new firms, says Utterback, not only in electronics but (originally) cars, the jet engine, tha electric lamp, tufted carpet, even manufactured ice, and many more.

*MIT Industrial Liaison Program, 77 Massachusetts Avenue, Cambridge, Mass 02139 U.S. Telex 921473.

Christopher Lorenz

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August 9, 1982

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HEAD OFFICE FOR HYDRAULIC INFRASTRUCTURES
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EDR holders may now present Coupon No. 5 for payment to the undermentioned agents.

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			Zambia

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1,000 shares (new)	US$ 3.62	US$ 3.06	US$ 2.90
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August 9, 1982.

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THE ARTS

Hamlet/Young Vic

B. A. Young

This is a highly suitable Young Vic production. It shows us just what the script says, not what the director thinks. If Hamlet is in love with his mother, or with Horatio, it is for us to deduce it from what we see and hear. So Terry Palmer directs the play without frills, and I have never heard a *Hamlet* in which the inflection of the lines sounded to me so consistently right.

This doesn't mean that they are necessarily spoken with grace or music; indeed, the general emotional level of the speaking is rather low. Edward Fox's Hamlet, in particular, has a destructive way of ending every line on a full close, his voice falling to the same note at the end of each sentence. On the other hand, this Hamlet has one rare merit: he never ceases to be the heir-apparent to a powerful monarchy, to be "the expectancy and rose of the fair state" and not a Wittenberg intellectual or a tee-shirted Teddy boy. His friends, Rosencrantz and Guildenstern themselves, would never dream of addressing him without the proper courtesies.

Edward Fox

Claudius is interestingly played by Dan Madden, who at an apparent 15 or 16 stone is truly "the bloat king." He speaks too fast, but he speaks intelligently, and Mr Palmer is terribly unfair to insert the interval halfway through his desperate shot at repentance. Maxine Audley is his Queen, bluff and outspoken, exactly the consort for these taugh Danish monarchs. They are well served by John Boswall's Polonius, who gives what I thought the most roundly-characterised performance of the evening—funny to others but serious to himself.

Niki Kay's Ophelia is a very proper girl, even when she claims to be "most affrighted." When she goes mad, she is just mad, singing away without giving much clue to her loss of reason. As her brother Laertes, Brian Carroll is very proper, too, a highly-controlled person. Polonius need have had no worry about how he would conduct himself in Paris.

There is good work by David Dodimead as the Ghost and Esmond Knight as a Welsh gravedigger. The Ghost wears his armour into Gertrude's closet. This is a mistake I thought the observant Mr Palmer would have avoided. At least, he has avoided turning the closet into a bedroom. Esmond Knight is also good as the First Player, overplaying to just the right extent. The Player Queen (Robert Morgan) re-appears later as Fortinbras—a "delicate and tender prince" indeed.

Horatio (Terence Hillier) is a handsome young man, not the professor of philosophy he has lately tended to become—a more appropriate occupant for Hamlet's "heart of hearts." The set, dominated by a central staircase leading to the upper stage, is a fine, practical design by Keith Grant.

Swan Lake/Festival Hall

Clement Crisp

If *Swan Lake* were about a girl who could spin like a top, then Galina Panova's appearance in Festival Ballet's staging on Thursday might be accounted an interpretation. And if the Festival Hall stage were more than a shelf amid the concrete degradation of the South Bank, then the production might look less like a quart crammed into a pint pot.

But *Swan Lake*, even in Festival's hyper-active Gothic version, is a lyric tragedy, and its central role a challenge to the spirit as well as the muscles of its incumbent. What Mme Panova brings to the role is a prodigious determination to show off her prodigious facility in pirouettes, and we betide the choreography or the characterisation that gets in the way.

By nature and physique she seems well suited to the peasant charm of Swanilda: what I consider miscasting as Odette/Odile does not, however excuse abrupt line and perfunctory feeling as the Swan Queen in Act 2, or a devotion to turning on her own axis in Act 3 which would make a dervish envious.

The performance, in sum, I found disappointing. Ben van Cauwenbergh was a Siegfried of brooding presence and exultant moments of dancing, though his worried expression during the part of the Black Swan duet suggested that here was a prince having second thoughts about loving a teetotum.

The company wear all their Carl Toms costumes with a will—rarely have I seen a ballet in which there seem quite so many clothes on view—and Matz Skoog is a brilliant reminder of better things amid the indecisions of the first act caperings with trumpet and pas de trois and the lunatic tambourinery of the third act divertissement that the programme thinks is "Napolitaine."

The rest of the national dances look as if they could well be performed by the peasantry of Las Vegas.

Canadian is new Old Vic owner

Canadian millionaire Edwin Mirvish has become the new owner of the Old Vic, the historic London theatre. He now plans a face-lift for it which will cost at least £1m and hopes to start staging productions in September next year.

Mr Mirvish said he planned a policy similar to the one he operated at his Royal Alexandra Theatre in Toronto which he saved from destruction when he bought it 20 years ago.

He has 52,000 patrons at the moment and the annual season of seven shows—each of which run for six weeks at the most—plays regularly to between 85 and 90 per cent audiences.

Mr Mirvish will act as his own artistic director, but will not produce shows. "We are in the business of bringing in shows by outside producers to the theatre but it is my decision on which shows to bring in."

The shape of things to come

Colin Amery reviews an exhibition which sums up how today's architects view the future

People are often asking how they can see a good cross-section of the work of British architects in practice today. What are the new directions that critics write about? How do we get some idea of the look of things to come? One answer—and it is a good one—is to visit the exhibition, *British Architecture 1982*, which has been organised by the leading magazine in its field, *Architectural Design*. This magazine, which has consistently championed the avant garde and pioneered a path for "post-modern" architecture, earlier this year invited 250 practices to submit completed buildings and projects for a jury to select a representative range of exhibits.

British Architecture 1982 is on show (at a curious time of the year) at the Royal Institute of British Architects at 66, Portland Place, London W1 until August 27. The range of exhibits is so wide that it is not an easy task to assess the routes to the future but it seemed to me that several clear signs emerged of the kind of buildings we can expect to see.

These signs come, not so much from the actual schemes, but from the attitudes of the designers. First of all there is clear evidence of a new acknowledgement of the past. Many of the schemes on display make obeisance to either classicism or to the vernacular of their immediate surroundings. Student schemes, too, indicate an awareness of history. The second main attitude is a fascination with technology. Sometimes this fascination takes the form of nostalgia for the lost days of the mega-structure, and in other cases it is a more ruthless view of the future.

How is this new concern with the past reflected in the buildings for the future? One way is the work of the revivalist architect Quinlan Terry. He believes the classical language has never died. His summer house for a dwelling in Northamptonshire and a birdcage, in the form of the Salute Church in Venice, are both exercises in straight copying of the past.

Why is it that I always feel uncomfortable in the presence of a Quinlan Terry building? There is something not quite right about them; his rather vapid decoration in the pediment of the Northamptonshire summer house looks so weak. Sadly I feel we need more than revivalism. I am not sure, however, that we need too much of the "broken pediment" or "dropped keystone" school of architects.

I like the work of Terry Farrell—and there is a chance to see again his Aztec-bridge/Vauxhall Cross entry—but there is a childishness about the mongrel classicism of some of his schemes. The interesting project for breakfast television's headquarters is both dashing and bizarre. The main entrance to the building is a giant suspended keystone in the centre of a skeletal arch. It is a kind of billboard, lightweight joke.

It is a good opportunity to see the elegant coloured drawings of two projects that are now building by Jim Stirling. His Staatsgalerie in Stuttgart and the extension and Turner Gallery for the Tate are portrayed in careful and contrived colour drawings that present the schemes as art works. I cannot help feeling that the reality of the Tate extension will be infinitely less subtle in its elevations than in these drawings. Stirling is also joking at the expense of the past while at the same time presenting a new formal language.

What fails to be understood by the architects of post-modernism is that classicism is already a language. It has its rules and regulations and a highly developed vocabulary. What is missing in the efforts to utilise it, even by the most eminent, is that just picking and choosing bits and pieces of the language is reducing it to a kind of absurd slang. A closer examination of the work of an architect like Soane, or even Lutyens, shows that it is possible to experiment and evolve *within the rules*.

There is some pretentious stuff in this show that would tempt me, if I were a publisher, to reissue some of the 18th-century pattern books that were intended to enable ignorant journeymen to build simple classical buildings. Simple imitation of classical bits and pieces is not enough—architects should learn the rules.

Technology imposes another climate. The work of architects like Norman Foster, Richard Rogers, and Nicholas Grimshaw is inventive and careful. Foster's entry for the Humana Tower competition in Louisville, Kentucky, is a dazzling silver column with an external steel frame like a giant trellis supporting the building. This is one view of the future using the elements of the present. Richard Rogers offers a sinister looking mobile work station known as a "third generation office" for Knoll Corporation. Looking like an operating trolley, no doubt dazzlingly efficient, it uses the language of technology to a degree that is actually frightening. It is too machine-like, too close to the cutting edge of the laser surgeon.

Among the classics to be seen in this exhibition are Denys Lasdun's designs for the Hurva Synagogue in Jerusalem—beautifully drawn. Ahrends, Burton and Koralek show their intriguing engine works for the Cummins Company in Lanarkshire. Their scheme makes an interesting contrast to the great yellow umbrellas that Norman Foster has designed for the Renault factory. Colin St John Wilson's design for the new British Library, alongside St Pancras is a curious design—worth puzzling over or just overwhelmed by the complexity of its brief?

Taken as a broad sweep of the current somewhat depressed building world this is an encouraging and lively exhibition. It has taken a long time for architects to dig deeper into their boxes of building bricks. They still need to be braver and more daring, but there is a positive glow around this well selected exhibition that is decidedly cheering.

Handel's Hercules/Albert Hall

David Murray

Hercules only *sounds* as though it ought to fill the Albert Hall, though in the title-role on Saturday John Tomlinson did just that on his own account. With probably the strongest bass-baritone in the country, he was natural casting, granted that he also has the technical ease and rhythmic address for Handel's bass-writing. (His expressive range hasn't yet reached full stretch: his expiration in fiery agonies sounded rather comfortable.) Still, Handel's opera is not an oratorio; its chorus is confined to sententious epilogues for each scene, and its principal characters were designed to the scale of the old King's Theatre in the Haymarket, not to Prom-scale.

For that reason this excellent performance under John Eliot Gardiner—put together in part from the Göttingen Handel Festival Hercules this summer—seemed a temperate affair, even allowing for its concert format: rewarding, certainly, but not often stirring. It was never ponderous — Gardiner drew lithe, stylish playing from the English Baroque Soloists, underpinned by a neat bass line which ought to have had extra ballast for the occasion. The characteristic sturdiness of Handel's orchestra got less than full value, though sheer alertness made light—fairly literally—of the failing.

Mr Tomlinson's less stentorian colleagues completed a notable cast. The central part is not that of Hercules, in fact, but that of his jealous wife Dejinara. Sarah Walker gave her an anxious dignity, and had the volatile brilliance required for her near-frantic monologues (Handel produced a remarkable *scena* for her last guilt-stricken visions); on a proscenium stage, her command of this rich role must make a great impression, and it was striking enough in the Albert Hall. The modest dramatic function of the tenor role, Hercules' son Hyllus, is belied by the florid power of his music, realised here by Anthony Rolfe Johnson with his usual stylish assurance and beauty of tone.

A handmaiden, Lichas, is dramatically more exiguous still, though for Mrs Cibber Handel expanded her part almost to the size of a one-woman Chorus. Catherine Denley's plangent mezzo was well contrasted with Miss Walker's more flexible instrument, and she suggested the right self-effacing sincerity. The innocent cause of Dejinara's auspicions is Iöle, Hercules' captive and the only soprano role: there is more energy in her music than was discovered here by Jennifer Smith. Lovely sound, often, but with softened initial consonants and a sweetly frail line she came near to sounding mannered; as Winton Dean enthusiastically maintained in his programme note, Handel supplied her with more psychological variety than that. Lawrence Wallington made a sonorous High Priest. The Prom audience was appreciative, but small by Saturday standards; perhaps there was a general suspicion that Handel operas would be miniaturised in these surroundings. The polished Monteverdi Choir were a great help.

NYO makes Barbican début

The National Youth Orchestra of Great Britain, now in its 37th year, will round off its 100th training course with two major performances in London this month—including its debut at the Barbican Centre.

On Saturday, August 21, the orchestra will give a BBC Promenade Concert at the Royal Albert Hall, and on Monday, August 23, it will make its first appearance at the Barbican.

Uncle Vanya/Haymarket

B. A. Young

It's sad that Robin Phillips had to withdraw from this production, but we are left at least with the designs he got from Daphne Dare, the translation by the Canadian John Murrell, and presumably some of the casting; and Christopher Fettes, his successor, has built a good production on this firm base.

It is very much an evening for the veterans: apart from Donald Sinden's Vanya, Ronald Pickup's Astrov and Sheila Gish and Frances de la Tour as Elena and Sonya, we are among players who made their first appearances in the twenties and thirties, and were indeed among the stars of their time. Margaret Rawlings, whom I last saw as the 90-year-old Empress Eugénie, has few lines as Maria, but she adds dignity to the scene by farming a part of it.

To begin with the stars of our own time, however, Ivan Petrovich is not the kind of part one instinctively associates with Donald Sinden, but he can produce a "sport" from time to time, as he did in *An Enemy of the People* at Chichester; and he has moved so far outside his usual range here that when he first came on stage, his puffy face vague and unfocused, I hardly recognised him. It was only when the familiar brisk tones showed under his muted voice that there came a sign of the usual Sinden. It is a beautiful performance that is at its best in its saddest moments, and we must blame Mr Fettes and not him for his missing Serebriakov at such short range with his second shot.

As Astrov, Ronald Pickup in his smart brown suit and riding boots looks like a cavalry officer, and he is inclined to put too much of this element into his playing. How could Sonya tell him he has "such a gentle voice," when he so often sounds as if he were drilling recruits? He is a handsome figure all the same, and his moustache is not nearly as absurd as he would have us think. His lecture to Elena on Russian forestry is delivered as if to a student gathering, but the following scene, when he first makes love to her, is touching enough. Sheila Gish's Elena was a bit unromantic to me; she has a deep voice that she uses without any great outward feeling, suggesting more maturity than her looks propose; and the "sway" in her walk we hear about is barely noticeable.

Frances de la Tour, tall and flat-chested under a light-coloured wig, is Sonya to perfection, often saying kindly, generous, affectionate things in a voice that speaks of a lifetime of disappointment. In the scene where she and Elena pledge their friendship, her face, no less plain than the text requires, is sometimes lit up by a smile of dazzling loveliness. At the end she makes her consoling speech to Vanya cradling him in her arms, with such a sense of belief that its suggestion of the Salvation Army disappears altogether in a welter of tragedy.

Harry Andrews is Serebriakov, tall, immaculate, a vast monocle in his left eye as he announces to his family his proposal to sell their home and their living for his benefit. At first I felt same sympathy for this character for once; "I'm more repulsive to you," he says to his young wife, poking her with a farefinger to ensure she will make a denial. Far a man of his age, he moves pretty fast with a gun-toting Vanya at his heels.

"Waffles," apparently verging on senility, is a happy, bald, fat, hoarse old chap, Bill Fraser's face shining as pink as a fine sunset. Freda Jackson, stout and homely, and an expert knitter, looks just right as the old nurse, but there is na touch of accent in her speech to go with the suggestion in her words.

Daphne Dare's scenes are all set on a square area with a corner upstage centre. The first, with the outside of the house flanked by a beautiful back-and-white woodland scene, is really lovely; the other three acts are all played in the same interior scene, the addition of a table and a map of Africa turning it into Vanya's work-room. The translation is in fluent current English, but Mr Murrell should have avoided phrases like "in the final analysis" and "like Hell he does" (also "cottage cheese") which puncture the illusion that we are in the Russian provinces in the 1890s.

Leonard Burt

Donald Sinden and Frances de la Tour

The Dream/Covent Garden

Clement Crisp

The visit by the ballet of the Paris Opéra ended on Saturday. The all-too-brief season has been a triumph for the dancers, and a revelation—to those with eyes that can see—of a style and training both elegant and brilliant. There could be no finer justification of the Opéra's way of doing things than the youthful second cast in *A Midsummer Night's Dream* on Saturday afternoon. Monique Loudières, the beguilingly awomic Helena of earlier performances, became Hippolita/Titania, and showed yet again that speed, aplomb and grace which make her so attractive an artist (and have won her recent and well-deserved nomination as *étoile*).

Françoise Legrée took over the role of Helena, with Jennifer Goubé as a new Hermia. Both these lovely young dancers are typical of the new generation—in their early twenties—of Opéra ballerinas, with slender physique, beautiful placing, unforced but unafraid technique, and sparkling feet (a quality uniformly to be found in the Opéra). Mlle Legrée was enchantingly funny and appealing in her pursuit of Demetrius; Mlle Goubé was lyrical, romantic, her dancing all sensibility, as Hermia. Bernard Boucher repeated his subtly-played and subtly-timed Demetrius, but Olivier Patey, one of the young lions of the company, became a new and splendid Lysander, impetuous in dance, intense in feeling—what an Albrecht he will make.

With him were what the programme called "two assistant gardeners," Laurent Hilaire and Manuel Legris, and their brief, clean-limbed variations indicated yet more talent in polished, proud classic dancing. So did the appearances of Fanny Gaida and Marie-Claude Pietragalla, exquisite young artists of the most impressive promise. And Puck, who had seemed so ideally identified in the bravura of Patrick Dupond and in his mocking sense of humour, found in Fabrice Bourgeois a quieter but no less buoyant interpreter, and one with a ready sense of urchin fun when the lovers' intrigue was at its most complicated.

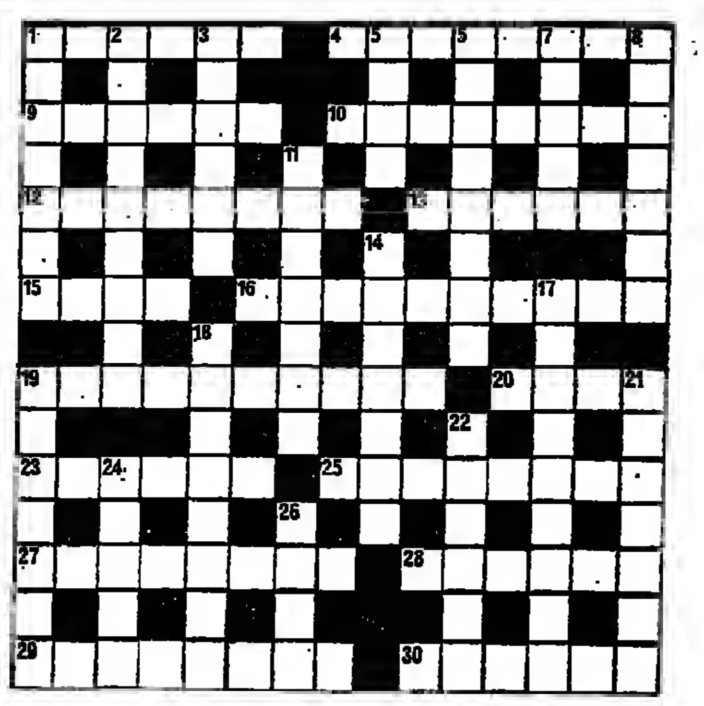
M Bourgeois, the first cast Flute, was replaced by Patrick Marty, a gleeful Thisbe in the play, swaying on point like a bean-pole in a gale, and very funny. (A word of gratitude to all the mechanicals for their farcical energy in *Pyramus*, with especial pleasure in Maurice Ranchet's eager innocence as Quince.)

A final impression of this season has been of a company bursting with talent. Performances have shown us something now sadly lacking in the work of our local troupes: finesse in style; brilliance in endeavour and attainment; temperament that fires and brightens the dance. And beautiful feet and shoes among the women of the company as the norm rather than the exception.

An "individual" approach to dancing among French artists has been historically a cause for indiscipline in the work of the corps de ballet—I can recall a bevy of swans at the Opéra so fragmented in accord as to be hardly in the same ballet with each other — but the general dances in *La Sylphide* and *The Dream* showed an admirable unity. I am only sorry that the full wealth of the Opéra Ballet has not been seen in London.

Several *étoiles* were not on view—I regret, especially that the magnificent Jean Guizerix and the poetic Nanon Thibon should be unknown here—and the repertory should have included some of the company's show-pieces.

F.T. CROSSWORD PUZZLE No. 4,944



ACROSS

1 To hush an upset baby is rather mean (6)
4 End part of a newspaper strike (8)
9 An impressive time of the year? (6)
10 An increase we'll make a song abont (8)
12 Complaint of untidiness (8)
13 She was exposed as an opponent of oppressiva taxes (6)
15 A double round to celebrate (4)
16 Ball made squara possibly (10)
19 Loaf around for a while? (5, 5)
20 Go by a mountain road (4)
23 Pass the rum please (6)
25 Regarded as having taken no active part (6, 2)
27 The security of a good riding habit (4-4)
28 Painful experience that is soon over (6)
29 Told off (8)
30 A game one may come across (6)

DOWN

1 It can break rising young men (7)
2 Put in a drink it could give a sour tang (9)
3 A bar across the Channel (6)
5 Urban area to the West and North (4)
6 Worn after rowing? (8)
7 This excuse is out of place (5)
8 Avenger about to give chase (7)
11 Rips are put in order by mending (7)
14 It provides no latitude for the navigator (7)
17 Deserted, being completely irresponsible (9)
18 Fael blas in practicable form (8)
19 Apparently boards another's child (7)
21 It's true I will appear in the screen version (7)
22 Joint holder (6)
24 A left arm which may be raised (5)
26 Desert one's post, though left in charge? (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES
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Telephone: 01-248 8000

Monday August 9 1982

Italy needs elections

EARLY AUGUST is usually when Italian governments are formed, not when they collapse. This year it is different. The fall of the country's first administration since 1945 not to be led by a member of the Christian Democrat Party has brought the politicians rushing back to Rome to spend the traditional holiday month attempting to find a solution to what promises to be one of the trickiest crisis in a long while.

Quite possibly this time their extraordinary dexterity in devising new formulae will fail them, and General Elections in October or November will prove to be the only way out. The basic problem is the familiar one: how do you find a compromise between Christian Democrats and Socialists, those freres ennemis of Italian politics, open rivals, yet condemned to work together if any parliamentary majority excluding the Communists is to be formed?

The upset vote which the Socialists have seized upon to provoke the downfall of Sig Giovanni Spadolini, the Republican Prime Minister, was, by the standards of rows which have dotted his 13-month period of office, a minor affair. Yet it has been the classic straw which broke the camel's back.

Esteem

In the past few months the energetic Premier has worked miracles to hold his five-party coalition together. In the process he has won much public esteem—and rightly so. His Government has made great inroads against terrorism, and Sig Spadolini has managed to restore a little of the state's lost credibility. Public life in Italy has seemed under him slightly less shabby and it is somehow fitting that almost the last deed of his Government was to liquidate Banco Ambrosiano, responsible for the country's worst post-war financial scandal, and the visible tip of an iceberg of malpractice stretching from Sindona and the P-2 affair, apparently into the Vatican itself.

The style of government, if not its substance, at least has changed. Sig Spadolini, indeed, may have been in part victim of the jealousies his popularity had created. But in concrete terms, and as leader of a party with just 3 per cent of the national vote, he has been the prisoner of political reality, and nowhere more so than in the economic field.

His Government's fall has punched a huge hole in the ambitious stabilisation package approved just a week ago. The desperately needed re-ordering of public spending this implied has been postponed yet again, at least until a new government is formed, and conceivably to the other side of new elections. And the ruthless way in which Sig Bettino Craxi, the Socialist leader, has defied the old rules about August suggests that elections are exactly what he—if no one else in public—is aiming at. In any case, it is hard to see the Socialists now meekly acquiescing in a new administration, to all intents and purposes differing little from the last.

Surgery

Notoriously, of course, Italian elections change nothing. Even if, as now seems probable, the Socialists, the Republicans and the other small "lay" parties of the centre were to make gains, the Christian Democrats would still remain the largest party, and sheet anchor of any coalition without the Communists.

But are elections now a less desirable alternative than yet another fragile government, if anything more conditioned still than its predecessor by the awareness of impending elections (due at the latest by spring 1984), and thus psychologically even less well equipped to embark upon the unpopular surgery which the state's finances require?

Even by Italian standards, the previous General Election of June 1979 provided a particularly inconclusive result. In any country with a less distorted democracy than Italy, a new one would long since have been held. The argument is becoming steadily more persuasive that a new Parliament, and the new Government it threw up, would be in a better position to act, and not just on the economy.

Opening up the Budget

SINCE INFORMATION confers power and secrecy denies it to others, it is perhaps surprising that Mrs Thatcher's Government should have reacted in such a rapid and positive way to demands that its Budget policy-making should be opened up to public scrutiny.

The Government has not gone all the way with the recommendations of the all-party Treasury and Civil Service committee of MPs for a draft or consultative Budget to be presented in the autumn. However the Treasury's proposals, announced in a reply to the committee last week, do represent a genuine and welcome advance. The ball will now be in the committee's court to make good use of the extra information which the Treasury has promised to publish each autumn.

It has been something of an irony that the mother of parliaments should in recent times have had its power over taxation effectively muffled by elaborate curtains of Budget secrecy. Although MPs could in theory reject a Budget, they have had in practice less chance to alter it than in many other countries and hardly any direct influence over its formulation. Although the new procedures will fail to satisfy those who want a substantial shift of power to Parliament, they will certainly please those who believe the objective should be a wider and more informed pre-Budget debate on the government's fiscal and monetary strategies.

Discussion

The traditional argument for secrecy about impending tax changes was that any advance discussion would enable people to take avoiding action by, for example, stocking up with cigarettes and whisky. This argument has been quietly played down, partly as a result of evidence to the select committee that the "forestalling" effects would not in most cases be very serious. Instead, the Government is advancing the more forceful line that detailed tax decisions should be taken at the latest possible moment and after the major work on spending programmes has been got out of the way.

Nevertheless the autumn statement will in future give a much fuller picture of the economic and fiscal prospects than hitherto. The actual decisions on spending will be given in more detail and will be set alongside the Treasury's best estimates for revenue and the borrowing requirement on the basis of an indexed but otherwise unchanged tax system.

This information, together with ready reckoners for the effects on revenue of specific tax changes, will for the first time provide an authoritative "do-it-yourself" kit for anyone who wishes to construct his own Budget from official data. They will also provide an invaluable comparison with the projections of the most recent Medium Term Financial Strategy.

Informative

This should, in particular, enable the Treasury committee to start from more solid ground when it questions Treasury witnesses after the autumn statement on public expenditure plans. It should be able to make a much more informative report to Parliament about the alternative Budget strategies facing the Chancellor. This will only be successful, however, if members spend less time attempting to score debating points against officials and more on a serious endeavour to elicit facts and opinions from them.

The reverse of this coin is that the Treasury must supplement the measures already announced with further attempts to make information as accessible and as helpful as possible. One obvious need is for the public spending White Paper estimates to be presented in some form of constant prices as well as in cash terms, so that meaningful comparisons between years can be made.

It is also to be hoped that the maximum use will be made of exposure drafts for prior discussion of structural tax changes and that satisfactory procedures can be found for an ancillary finance Bill to hive off the more technical fiscal measures.

If the Treasury shows this autumn that it is genuinely not afraid of a wide and informed debate on the strategy for the next Budget, it will then be up to Parliament and its committees to respond appropriately. Otherwise the veils of secrecy will doubtless show a tendency to unfurl again. It is now proposed that Parliament should have three extra days for debate on the estimates: much will depend on whether they can be used to full effect.

Quentin Peel, Africa Editor, reports on the problems of using Western aid in the Sahel

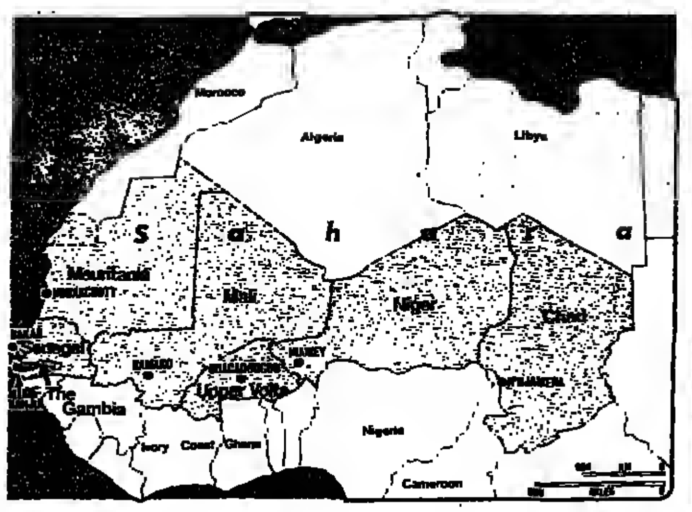
The impact of strong medicine on the fragile

ONLY a mile or so beyond the brilliant green rice paddies of the Namarigoungou irrigation scheme on the banks of the Niger river stand the remains of a similar project: crumbled dikes, choked ditches and abandoned fields.

Namarigoungou is a testament to the huge aid effort being put into one of the world's poorest areas: the Sahel region on the southern fringes of the Sahara. Some $25m are being spent by the World Bank and West Germany's Kreditanstalt fur Wiederaufbau to irrigate 1,500 hectares of normally dusty river valley, and make a major contribution to the struggle for food self-sufficiency in Niger.

The abandoned scheme beside it stands witness to the daunting problems faced by aid donors and receiving governments alike in realising the worthy intentions of the aid effort. It is a graphic illustration of the development challenges facing donors not only in the drought-stricken Sahel region, where poverty is so stark, but in Africa as a whole.

Those challenges concern both the ability of the poorest countries to absorb and benefit from major foreign aid projects, and also the strategy being adopted by Western agencies like the World Bank in attempting to improve the cost-effectiveness, and the rate of return, of their programmes.



Graham Laver

World Bank irrigation programme in Tayenda, Upper Volta.

On the one hand, major donors like the World Bank argue that inappropriate domestic policies are undermining aid spending, especially on agricultural production. The Bank's major report last year Accelerated Development in Sub-Saharan Africa, the so-called Berg report, pinpointed enforced low prices of agricultural products, heavy subsidies for inefficient public corporations involved in buying and marketing, and overvalued exchange rates, as key factors in holding back agricultural development on the continent.

African critics retort that the fault lies as much with the Western donors: their ill-designed projects rely too heavily on imported technology and equipment, put excessive emphasis on cash crops for export, and pay inadequate attention to the inability of impoverished governments to sustain the running costs in the future, they argue.

Examples abound in the Sahel to illustrate the justice of both cases. In Mali, Niger and Upper Volta, centralised crop purchasing at controlled prices has become something of a farce: an estimated 90 per cent of farmers' crops simply bypass the controlled system, and sell on the black market.

There is little doubt, either, about the inbuilt bias in most of the Sahel nations in favour of urban areas and against rural development. The food aid which flooded into the region in the wake of the disastrous drought of the early 1970s remained very largely in the urban areas, where town-dwellers learned to prefer imported wheat and rice to traditional crops like millet and sorghum.

A stark example of the bias in favour of the local bureaucracy comes from the first major irrigation scheme at Mopti, where a survey of plot-holders brought into the project showed that as many as two-thirds were local civil servants.

There are also examples of ill-designed aid projects. One is the widespread planting of eucalyptus trees as part of the huge effort at reafforestation to stop the advance of the desert. In spite of widespread peasant resistance to the trees, planting still continues. "It has been an economic disaster," according to one forestry worker. "It needs cultivating. It needs water. It needs all the management skills that these people have not got."

As for capital-intensive irrigation schemes, they have brought with them a host of unexpected drawbacks. The farmers of Mopti maintain that their production has slumped from 50 bags a hectare to only 15 in eight years because of infestation by wild rice and the low resistance of imported rice seed to irregular and inadvertent flooding.

The dilemma for aid donors is that irrigation schemes appear to be the only obvious way to a rapid increase in food production: dry land projects, and livestock projects, have had very limited success, probably because there is very little that Western aid can teach to farmers used to operating in such barren conditions. But irrigation schemes are often hugely expensive: Namarigoungou works out at a cost of $17,000 a hectare, or $12,000 if some of the infrastructure costs are excluded.

Although irrigation poses specific difficulties, the broad problem of the Sahel has been chronic aid indigestion. The eight countries* which make up the Permanent Inter-State Committee for the Fight against Drought in the Sahel (known by its French acronym CILSS) have simply not been able to absorb the aid flows which resulted from a sudden and belated upsurge in international awareness after the 1970s drought.

CILSS and its donor counterpart, the Paris-based Sahel Club, agree that food self-sufficiency should be the highest priority for the aid effort. Between 1974 and 1980, $6.8bn of external assistance was committed to the region. It is still flowing in at a rate of some $1.5bn a year, or more than $40 per head of population. Yet of the eight members of CILSS, only Niger has come near being able to feed itself, and that was only for a year in 1980.

"I don't think anyone really understood the fragility of these economies," according to one aid director in Ouagadougou, capital of Upper Volta. "The digestive system is not as strong as the medicine we are giving it. There is a very limited absorptive capacity, and ability to maintain projects.

"The donors are partly to blame for jumping in with less than ideally-conceived projects. As a result, they find themselves picking up large shares of local costs."

The proliferation of donors is also immediately apparent to any visitor to a capital like Ouagadougou: the streets are littered with the name plates of international agencies. According to one estimate, there were 340 separate aid missions to Upper Volta last year.

The Sahel governments, desperately short of skilled personnel, can hardly hope to co-ordinate such an influx, or to assess the schemes being proposed in any rigorous way. There is an inevitable tendency to believe and act upon the advice of the last aid mission to pass through.

However, the aid projects themselves have tended to contain within them the seeds of disaster. Donors have traditionally provided the finance for the capital cost of projects. In some cases, they have undoubtedly also favoured relatively capital intensive projects which might involve the import of plant and machinery from the donor country. But they have expected the host government to pay for the running costs.

"New projects generate very heavy recurrent budget costs, which cannot be met, and so the project deteriorates," according to Anne de Lattre, director of the Sahel Club in Paris. "Phase 2 and Phase 3 of the project then have to be rehabilitation, not expansion.

"Since 1976 there has been a 35 per cent increase in real aid flows. But there is actually massive disinvestment taking place, because of those rehabilitation costs."

The World Bank, followed by other Western donors like USAID, is altering its strategy in two ways: by changing the choice of its projects and by insisting on much tougher domestic policy conditions, in line with the recommendations of the Berg report.

In the first place it is placing a much higher priority on maintenance schemes, while at the same time introducing more projects directed at basic health and education. The skilled manpower shortage in the Sahel stems from a literacy rate of under 10 per cent, compounded by only a third of children attending primary school.

USAID is trying to concentrate on projects with little or no recurrent costs, such as training personnel in skills of management and accountancy. Aid officials in Upper Volta sadly quote rural development schemes which failed because no one could afford to pay the agricultural extension workers, or a school programme abandoned because they could not afford to pay the teachers.

There is a growing recognition that the most successful aid projects are the most modest: the village water-supply schemes designed by non-government agencies like Oxfam, or the construction of small grain stores for farmers. Moreover, the active involvement of the local community in designing and planning such facilities is critical.

However, it is the World Bank's growing insistence on "conditionality"—on domestic policy reform in exchange for aid—that is most contentious. Bank officials are already resented for flying in from Washington on periodic inspections, which involve the finest detail—such as the number of vehicles permitted to have air conditioning. They are also accused of insisting on the employment of too many expensive expatriates.

The Berg report was sharply criticised for laying too much blame on policy mistakes—such as overvalued exchange rates—and too little on the inadequacies of the international economic order, and gyrating commodity prices.

As a result, Bank officials have tended to play down its importance—at least for reasons of tact. Indeed, no lasting debate appears to have been initiated with African governments.

However, a number of governments are quietly doing what Berg suggests, especially in dismantling their public corporations, and decontrolling prices of agricultural products—as in Mali, Niger and Upper Volta. It is a real political risk, for they undoubtedly lay themselves open to the threat of a backlash from hitherto pampered urban populations, and especially the bureaucrats themselves.

The truth is that the Berg report on Africa is only one part of the answer. Western donors also have to rethink their aid strategies, and learn to be much more sensitive to local conditions. The days of the one-off projects are surely past, and now donors must be prepared to commit themselves to much-less ambitious, but longer-lasting programmes.

There has been too much emphasis on new investment, and too little on maintenance. More help is needed to tackle the constraints of human resources, by investing in basic health and education, although results may take many years to show.

In the words of one aid donor: "Unless we can change our ways, the Sahel in 20 years may not be very different from what it is today."

* Six countries initially joined the CILSS: Chad, Mali, Niger, Mauritania, Senegal and Upper Volta. Two others have since joined: The Gambia and Cape Verde.

AGRICULTURE IN THE SAHEL
Average annual percentage growth rate 1969-71 to 1977-79

	Volume of production Food	Volume of production Non-food	Production per capita Food	Production per capita Non-food
Chad	1.0	2.0	−1.0	0.0
Mali	1.0	9.8	−1.6	7.2
Upper Volta	2.0	7.2	0.4	5.6
Gambia	0.1	—	−2.9	—
Niger	1.3	−7.8	−1.5	−10.6
Mauritania	−1.3	—	−4.0	—
Senegal	1.0	11.3	−1.6	8.7

Source: World Bank

Men & Matters

Whisky appeals to Gulliver

It would be an exaggeration to say that James Gulliver has taken up residence in Samuel Montagu's banking offices in Old Broad Street. But he has been wearing quite a track while journeying up and down the fifth floor corporate finance department's green woven carpets this year.

Gulliver, one of the speediest among Britain's fast-moving grocers, has had a better chance than almost any other businessman to explore the bank's offices.

He sits in his now accustomed chair in conference room number four. In front of him is an underwriting document. In his pocket is a promise of Samuel Montagu's financial backing. On a jotting pad near a convenient telephone is a tally of the latest sub-underwriting campaign. James Gulliver Associates is a raiding party on the move.

This week Gulliver starts detailing the move which will take his Amalgamated Distilled Products group into the high-ranking number seven slot in the United States bourbon whisky market.

It all seems just like old times. For earlier this year Gulliver and his advisers were outlining the stratagem which led to control of Sir James Goldsmith's Allied Suppliers retail chain.

The scale of the new bourbon operation is rather smaller than the last deal. Here Gulliver is spending £22m. Back in May he committed £101m with Goldsmith. But the financial setting and the people remain the same.

Where does our hero strike next? Logically double glazing and bathroom showers should be Gulliver's next subjects for fifth-floor treatment. Together they make up the third arm of his quoted empire.

But a fly on the wall of Montagu's august corridors suggests that divestment rather than fund-raising might be the real Gulliver target when next he moves.

Treading water

Shipping finance is one of those specialist areas where only the bravest of bankers dare swim during the current slump in the industry.

So when Paul Slater, one of the City's more entrepreneurial-minded shipping bankers, decides to quit his job at Oceanic Finance, the company he founded, the gossips on the Baltic Exchange and the City's banking parlours are provided with a field day.

It seems that his departure has resulted from a boardroom row about the future direction of the group — which has financed over 1m dwt of shipping—rather than about shipping loans that have turned sour.

Last December Slater, who used to run Grindlay Brandt's shipping finance team, hired Morgan Grenfell, the City merchant bank, to advise on how to restructure the group and cater for its expansion. Morgan Grenfell suggested diversifying the group's dependence on shipping finance, turning it into a proper bank, and bringing in new shareholders.

This was music to Slater's ears. He went about finding a strong partner to buy out the Canadian shareholders in Oceanic. At one stage it looked as if INA, the U.S. insurance giant, would come into the deal.

Slater has been beating the trail looking for $25m or so to buy out the existing shareholders and bolster Oceanic's capital base. "The company is so narrowly based in shipping that it is very difficult to interest outside investors," he says. Meanwhile, the existing shareholders — Genstar, Power Corporation, and the Fednav shipping group—only wanted to stay on the board as long as Oceanic stuck to shipping.

At the end of the day Slater and Laurence Pathy, the wealthy and secretive president of Fednav appear to have fallen out. "He was a shipping man who wanted to stay in shipping and I am a banker who wants to diversify into banking," explains the 38-year-old Slater.

Self-inflicted

Examples of the new self-certification of illness form collected so far by the General Practitioner, the doctors' weekly, include a Gloucestershire farmer complaining of "grazing on the knees" and a patient with an eye injury who could not see her doctor until Tuesday.

Some unfortunates are suffering from "chicken pots" and "desperation." A woman complained she had been under the doctor for a fortnight and was suffering from backache. A West Country patient was "sick and tired due to doctor's tablets."

But according to the Department of Health and Social Security, one thing is clear. Now that the patients are filling in the forms the handwriting is easier to read than when the doctors did it.

Poor spenders

The trouble with the people of London is that they are not creative enough when it comes to thinking up ways of spending public money. . . .

You probably share my surprise to read that nugget of intelligence. But we should take it seriously because it comes from the highest echelons of Greater London Council which is, of course, making strenuous efforts to torpedo Margaret Thatcher's efforts to cut public spending.

Londoners may dream about how they might spend the money they could win on the football pools. But Mr Robin Murray, the GLC's chief economic adviser, complains that "they are unlikely to dream about how they, with others, would spend public money."

Showing a fine spirit of helpfulness in the cause of free spending Mr Murray suggests how it might be done in a new report on how to get more popular involvement in the council's industrial and employment strategy.

He says, "A qualitative leap such as this requires a cultural inspiration that connects with people's day-to-day experience but also goes beyond it. Officers will need to talk to playwrights, film makers, artists, and exhibition designers, about the type of projects which could be encouraged to create this inspiration." Liaison with the Arts Committee is also suggested.

The first public spending under the scheme is a comparatively modest £38,000 agreed last month for a pilot project to prepare workplace and community groups for the popular involvement to come.

Next steps include the setting up of an economic literacy programme and a newsletter "to reach every group involved in creating an industrial strategy for London." Curious: no one has suggested free beer yet.

Hello Sailor

The French authorities have been getting tough with foreign yachtsmen. The bureaucracy has now ordained that an owner may only hand over command of his yacht in French waters to either a member of his family "or to his established concubine."

Yachting Monthly carries a clarion call from a Lysistrata Bowline of Bognor Regis to all liberated ladies—"Non-established concubines of the world unite. You have nothing to lose but your yachts."

Observer

JOB CREATION

The CBI's silver lining

By Ian Hargreaves

DOES BUSINESS have a social responsibility to help to create jobs at a time of mass unemployment?

When the Institute of Directors circulated its members on the subject earlier this year, it got a rather straight answer.

Seventeen of the institute's 24 regional groups were clearly opposed to the idea, their position summed up by the Manchester response: "The responsibility of companies is to make profits and remain viable." Even those which accepted a social responsibility hedged their replies with warnings about the dangers of taking measures which might erode competitiveness.

However, the same questionnaire asked: "Are there any particular groups of unemployed people to whom special help should be given?" All the groups thought there were and 19 of them identified young people as a specially deserving group.

This is not necessarily a self-contradiction—theoretically Government could do something for young people without the active involvement of business, although it is hard to see how it would be relevant—but it does illustrate nicely the gap between business theory and practical personal response. There can be hardly anyone in Britain today, businessmen included, who has not had personal, as opposed to professional contact, with the unemployment problem and felt the urge to respond.

This is very much what Mr James Cooke discovered 20 months ago when he set out on behalf of the newly formed CBI Special Programmes Unit, to persuade large companies to provide more places on the Government's youth training schemes, such as the Youth Opportunities Programme (YOP).

Mr Cooke says that in talking to the heads of 90 of Britain's 100 largest companies he has discovered two common themes: concern that YOP is very largely training people for jobs which do not exist and the conviction (with the exception of retailers and some financial services companies) that they will not be adding to their workforces in the next two or three years and may well be doing some more cutting.

"Nothing that I hear from top companies suggests there is much hope for real jobs in the next five years," he says. "The employment problem will not respond to economic growth."

The silver lining in this cloud, such as it is, is that contrary to the impression from the Institute of Directors survey, businessmen contacted by the unit are keen to respond to the problem in their own localities on the right terms. "Their employees have children who can't find jobs, so of course they care. Companies will respond if we can find practical ways for them to do so."

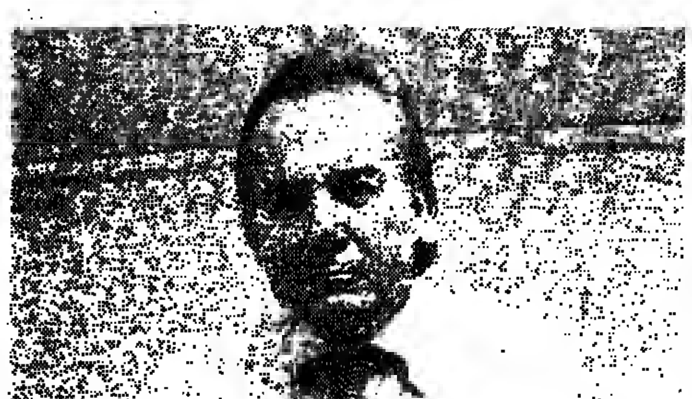
The search for a practical, systematic approach has taken the unit 20 months since Mr James Prior, then Employment Secretary, first invited Mr Cooke, formerly with Courtaulds and for 10 years a senior consultant at PA Management Consultants, to create and lead the unit.

In its first year one of the unit's main achievements was to assemble and hold together what Mr Cooke, with a flair for overstatement, likes to call "the greatest board ever assembled in peacetime." Its members include the heads of Metal Box, Thorn EMI, Wimpey Construction, BP Oil, United Biscuits, BAT Industries, British Rail and the Thomson Organisation. Its chairman is Lord Carr, chairman of Prudential Assurance, who as Mr Robert Carr was Employment Secretary in the Heath administration.

Mr Cooke's style is very much founded upon the belief that if you get the right backing you will get the job done, so the composition of the board was crucial. He has been, primarily, in the business of influencing top people and says that in looking for active support—a £2,000 subscription plus the willingness to second managers to provide other help in kind—he has won over 90 of the top 100 companies.

Also in the first year, the unit found 32,000 industry-based training places for use in the YOP work-experience programme. Thus it helped the Manpower Services Commission, which administers the scheme, to shift the bias somewhat away from small employers, who have frequently been accused by trade unions of using YOP trainees as cheap labour, towards larger companies with better training places.

The unit has also contributed



Ashley Ashwood

James Cooke, in front of his VDU, ready for action.

to the debate about the broadening of the six-month YOP scheme into the higher quality whole-year Youth Training Scheme, offered a critique of the way the schemes are managed and helped by timely intervention to save from closure a number of major industrial training facilities.

From the beginning, however, Mr Cooke felt that the key to a more effective response was to get involved at a more local level, but he was struck by the non-existence of town-level forecasts of unemployment.

So National Westminster Bank agreed to finance consultants' studies of five towns: Neath, Redditch, Preston, Southwark and Kilmarnock.

The idea was that once the data was there, the unit's regional staff would be able to engage the interest of local people in taking action, but except in the case of Neath (whose case was described in the Financial Times on July 29) it did not work.

"We demonstrated that local forecasting could be done, but in the end it didn't really matter that much whether the numbers were plus or minus 20 per cent, the problem was so big," comments Mr Cooke. "Consultancy was not the right approach."

By this time, experience had also matured in a number of other local action projects, like the Pilkington's St Helen's trust and the Swale, Kent, employers' federation initiative, set up some time ago, and Mr Cooke was convinced that he had a formula. The first step in every case would be to identify the most influential businessman in the town, use contacts to win his sympathy and get him to lead the action.

Now, however, the unit has a much more sophisticated idea of what it would like "Mr Big," as Mr Cooke calls him, to do. It wants him, initially, to gather together the half dozen or so most important employers in town—"the local mafia" in the parlance of the unit's planners—and invite them for a dinner at which Mr Cooke or one of the other members of the unit's small central staff will explain the system.

The strategy in each area is to identify a manageable catchment area, to carry out a town study, to set objectives in terms of MSC training places and other job creation ideas and to establish a full-time nucleus of leaders, normally comprising people seconded from the firms concerned. The executive will then set about traditional economic development tasks, like searching for investment.

The unit has now recruited its "Mr Big" in Newcastle, Leeds, Hull, Wolverhampton, the Rhondda, Luton, Ipswich, and the Border Country of Scotland, and aims, according to the plan agreed last month by the unit's board, to create 50 of these "community action programmes" by the end of next year.

"We want to take 50 towns and be able to say to the MSC—there we've solved these for you—and all at no extra cost to the Government. Our first priority is to find these training places," says Mr Cooke. But in the long run, he believes that the energy released by the community programmes will help to stimulate small businesses, create new projects in areas such as tourism and community services and become, in effect, small engines of real economic growth in their own right.

Another idea, still in its early stages, is to try to create what the unit calls "consortia" projects, by which it means schemes in which it will bring together a supplier of tasks, like the British Waterways Board, with a supplier of materials and skilled supervisors, like the construction industry, with unemployed young people.

It is evidently too early to judge the likely success of the unit's work. Mr David Cole, joint deputy managing director of the Thomson Organisation, who has followed it closely, says the unit's approach is "logical, methodical and workmanlike."

The early weaknesses which led to the follow-through failure in four of the five towns initially studied appear now to have been corrected.

Other weaknesses, however, may still persist. It is not certain that a system of secondees, although of obvious value in securing the practical, active involvement of companies, can supply the necessary continuity for what looks certain now to be a four or five year haul, even though the unit's own existence is formally guaranteed only until the end of next year.

There is also a rather obvious gap in the absence of trade union participation in the unit.

Mr Cooke professes himself "flabbergasted that the unions which created the Labour Party have not come forward with massive support." However, at local level the unit has experience of harmonious relationships with unions.

At the national level, the unit's work is, at the very least, a serious and practical attempt to attack unemployment and as such will lend weight to the CBI's major policy statement on the subject, expected this autumn.

Along with a number of other smaller organisations, such as Business in the Community—a recently-formed group involving leading companies and other interests to promote greater social awareness in business—the unit could also play an important part in focusing the attention of British companies on broader questions of social responsibility.

On that score, Mr Cole has no doubts where the business community's interests lie. "If the social fabric of the country gets frayed, then that is not going to be good for commerce or for anyone else," he says.

Lombard

The know-nothing U.S. Congress

By Anatole Kaletsky in Washington

THE U.S. SENATE, egged on enthusiastically by President Ronald Reagan, committed an act of folly last week that could eventually make the U.S. system of government the laughing stock of the civilised world. On Wednesday the Senate voted 69-31 in favour of a proposed amendment to the U.S. constitution requiring the Federal Government to run a balanced budget. It prompted only one point of contention between responsible commentators: Would such an amendment, if it were to pass all the stages of ratification, be more an absurdity or a disaster?

Even the far-right and staunchly Reaganite editorial pages of the Wall Street Journal have repeatedly poured scorn on the balanced budget amendment. It would be unworkable and would merely distract attention from the serious business of "going to the polls in November" to elect fiscal conservatives with the courage to cut public spending, the Journal has maintained.

Yet the reaction against the amendment from sensible politicians has been remarkably muted. Even its liberal opponents have mostly followed the Wall Street Journal line. They have concentrated on the legal problems of enforcement and pointed to President Reagan's hypocrisy in supporting balanced budgets in the future while enacting record deficts for the present.

If it were not for the tiresome legalistic and constitutional problems, balanced budgets would obviously be desirable in principle, everybody in U.S. politics suddenly seems to believe.

Any schoolboy who has studied elementary economics could tell America's lawmakers that governments in other countries do not try to balance their budgets each year, regardless of economic circumstances, and that they refuse to do so for very good reasons. It does not take a madcap Keynesian to recognise that a recession will temporarily reduce tax revenues and raise public spending—and that refusing to allow this temporary effect to happen by raising taxes or cutting spending would normally make a temporary recession worse.

Furthermore, even without a day's study of economics, such a child could have told President Reagan that he was being a humbug at his press conference last week, when he said that the Federal Government must balance its budget, just like a family. The fact is, after all, that sensible families save and borrow to suit their changing circumstances, so the analogy works against the budget-balancers, not in their favour.

America's politicians presumably do not need to be instructed on these elementary points of common sense. Why then do they persist in their folly? And why are those who oppose it so mealy-mouthed about the economic principles at stake?

It is the answers to these questions, more than the amendment itself, which justify concern, as well as derision, about the way the U.S. political system has moved in recent years. "If this was a secret ballot, there would not be 30 votes for it," Senator Daniel Patrick Moynihan, one of the amendment's few unambiguous opponents said on Wednesday just after the senate vote. Several commentators have suggested that many of the senators who supported it did so only because they believe it will eventually fail to be ratified.

Instead of developing policies, they send out pollsters to their constituencies to discover the "themes" (ie slogans) which will appeal to the voters, using the techniques employed by confectioners to determine the optimal mix of chocolate, sugar and milk in their candy bars.

Instead of politics, the electors are offered a know-nothing populist demagogy, updated for the late 20th century by the use of TV commercials and computerised opinion polls. It is perhaps small wonder that complex issues like economic policy and the subtleties of diplomacy are proving more politically intractable as this conception of government takes hold. It is even less surprising that fewer people in the U.S. bother to vote with each major election that goes by.

Letters to the Editor

The continuing search for an heir to current cost accounting

From the Managing Director, Lead Industries Group.

Sir,—I have been following with interest the debate in your columns between the relative merits and weaknesses of historical cost accounting (HC) and current cost accounting (CCA).

For most manufacturing industry CCA, despite its subjectivity, is still the best attempt so far to reflect business realities. Clearly there are sincere minority views that: (1), CCA is not relevant to some businesses; (2), the costs and efforts of implementation are disproportionate to its benefits; and (3), CCA is not as pure a system of inflation accounting as current purchasing power (CPP) accounting.

Our group strongly support CCA because we genuinely believe the system best unifies reporting requirements for shareholders, employees and unions. Furthermore, we have found that as HC methods proved decreasingly useful we had to develop CCA systems in the vital areas of depreciation on the replacement cost of fixed assets, replacement cost of stocks and the erosion of working capital values. This information has also been useful in explaining business realities to customers, suppliers, unions and competitors (who may be struggling with major cash flow problems while still reporting a profit).

In my view there are two serious weaknesses of CCA which need tackling urgently. The first is its degree of subjectivity and the second is the Inland Revenue attitude. With regard to the former — most criticism centres around the material effect of CCA depreciation yet, under the HC convention, views also have to be taken on asset lives and redundant plant and assets not used, while the problems of fully written off assets are ignored. Provided CCA adjustments are consistently calculated, the disadvantages of subjectivity can be largely overcome.

With regard to Inland Revenue acceptance of CCA it is still too early to discuss the monetary working capital and "gearing" adjustments. I would propose two adjustments only — namely depreciation and cost of sales. Depreciation allowance can either be given as at present by way of 100 per cent of capital expenditure or by a CCA depreciation charge based on ASC guidelines consistently applied and audited. The subjective conflict between a high depreciation charge (for taxation) and a low depreciation charge (for shareholders) will in practice be neatly balanced.

Any problems the cost of sales adjustment causes the revenue would largely be overcome if the Inland Revenue and the UK accounting bodies accepted the LIFO method of valuation. This is well tried and used in the U.S., Canada, Australia, South Africa and Europe and is no less subjective than the widely used FIFO method. Adoption of LIFO would also eliminate the need for the Revenue's cumbersome and unfair "stock relief." If the Government, the CBI, the Stock Exchange and the Accounting profession seriously want to get CCA off the ground, the Corporation Tax system will have to be realigned to take account of CCA.

From the Chancellor's Budget point of view I see little difference between 100 per cent capital expenditure allowances and "stock relief" on the one hand, and CCA depreciation and LIFO stock valuation on the other. From British Industry's point of view profit reporting and tax assessment would come closer into line — and the message of real profitability decline in the last decade will be clear for everyone to see.

M. J. G. Henderson.
Lead Industries Group,
14, Gresham Street, EC2

From Mr R. Instone

Sir, — Accounts are too important for it to be left solely to accountants to determine their form and contents. May I therefore intrude my views on the SSAP 16 debate as a lawyer and investor?

As an investor, my sole interest in accounts is to ascertain what a company's management has done with the resources under its control during the accounting reference period, and how its performance compares with that of the previous period. This is an exclusively historical inquiry.

I am not interested in eliciting from published accounts an answer to the question whether the real value of those resources has been maintained, increased or reduced during that period. Nor can any such inference be made with a sufficient degree of precision to be of any utility, because the real value of resources cannot be determined in isolation from the purpose to which they are to be devoted. A man (or a company) with available resources now worth £x owns more real value than he owned a year ago if he is minded to purchase copper, but less if he needs petrol.

Both as a lawyer and as an investor I am interested to know how much of a company's resources could lawfully, or prudently, be distributed in dividend. But SSAP 16 accounts are useless for this purpose, since none that I have seen distinguishes between the distributable reserves of the group and those of the holding company, which alone are relevant for the purposes of Part III of the Companies Act 1980 as amended.

Is it surprising, therefore, that I regard such accounts as aiming at a degree of precision which is both specious and irrelevant for all practical purposes?

Ralph Instone.
7, New Square,
Lincolns Inn, WC2.

From Mr J. Clayton

Sir,—Lex (August 2) is wrong in his view that current purchasing power "has been swept off the stage by the Sandilands committee." There are two profit concepts: in "money" terms (Sandilands); and in "real" terms; and, as an ardent Sandilands advocate, I accept the need for both. Indeed, the Blue Books, the best exposition of CCA, are meticulous in presenting all aspects of national wellbeing, first in "money" terms and then in "real" terms. What they do avoid—as subjective and unreal—are any calculations based on mixing money and "funny-money." That is one reason why SSAP 16 is irrelevant; as is the scheme suggested by Mr Allen, to which Lex refers.

What is desperately needed is a rapid development of the Sandilands "money" concept. All companies—not only the 1 per cent listed—should be encouraged to show: first, net operating profits—adjusted for stock appreciation and current value depreciation — second, total gains. Unless both aspects are shown, some two-thirds of profits—adjusted increase in net assets—are concealed.

Once the Sandilands "money" aspect of profit has been widely implemented, the completion of inflation accounting can be attained by expressing shareholders' funds on a CPP basis. But it seems advisable to make this a later stage; for, I fear, it will reveal that many—if not most—companies have been paying dividends out of capital.

For example, the figures of profits and assets per share, relevant to dividends, of one of our most successful companies—GEC—for the two years ended March 31 1981 are:

In Sandilands' "money" terms—	Pence per share 1981	1980
Dividends	10.25	8.25
Net operating profit	35.4	25.7
Total gains	68.7	58.7
Net assets	387.5	329.0
In "real" terms—		
Total gains	27.2	4.0

Jack Clayton.
19 Park Road,
Cheam,
Surrey.

From Mr J. Phillipps

Sir,—Once again the informed bulls of accountancy hold sway over their tradition-bound critics. The transformation of the profession since 1960 from that of High Street mechanics producing the annual MOT in the spirit of *caveat emptor*, to an industry composed of competing chains of financial services hypermarkets has left many of its members yearning for the golden past.

The vote will have split mainly on size of firm and the principle of relative ignorance (that which we do not understand we fear), but these factors are not unconnected with age. The swamp of turgid legislation successive parliaments have seen fit to pass now exceeds the digestive capacity of any single accountant, and if unchecked will force us to finally adapt to the modern world by specialisation. It is this fear of the free market, of uncontrolled change stripping guild artisans of a professional pride in their work that gives the opposition to current cost accounting a Luddite (or perhaps more charitably, Marxist) flavour.

The prevalence of two types of inflation — relative price change, and the general uplift — that made the last decade so chaotic, have left it very difficult to fairly represent in figures the financial position of any organisation. It is, however, scarcely creditable to pretend that the problem will disappear, particularly as SSAP 16 requires relatively little effort for compliance.

CCA has become a *cause célèbre*, like the right to abortion, not because the forces of reaction have any real interests at stake in the outcome, but through the human need to project any deep-seated sense of insecurity into the public mind of the society we share.

Jeremy Phillipps.
72, Southerton Road,
Hammersmith, W6

UK COMPANY NEWS

British Am. & General up slightly

ATTRIBUTABLE earnings at British American and General Trust were a little higher at £650,000, compared with £634,000, for the six months to June 30, 1982.

The interim dividend will be 1p net against 0.925p last time, but the company says the increase is intended to reduce disparity and should not be taken as an indication of the rate of increase in the total for the year.

Earnings per 25p share are stated at 1.29p against 1.26p and net asset value at 67.8p compared with 74p, or 67.6p (73.8p) fully diluted.

CHARLES BATCHELOR ON AN LBI SUCCESS

How unexpected tactics can clinch a take-over battle

IN THE battle of wits between a company making a contested take-over bid and its unwilling prey the merchant banks which act as advisers are constantly looking for the unexpected tactic.

Lloyds Bank *International* (LBI), adviser to the Manchester vehicle distributor Lookers, believes its client's successful £3.58m cash bid for Liverpool rival Braid broke new ground.

At a crucial stage of the bid the bank took the gamble of advising Braid's shareholders to withdraw their acceptances and sell their shares in the market—moving in itself to pick up the offered shares.

The bid was small in City terms *it could contain lessons* for other companies, LBI feels.

The bank's relatively young corporate finance department is delighted that its handling of the Lookers' bid succeeded despite the initial opposition of shareholders owning a large block of Braid's shares.

The Braid family and directors, who held nearly 10 per cent *of their company's equity*, secured the support of their largest shareholder, Avondene Securities, with its 28.9 per cent holding, in the opening stages of the battle.

But in the closing minutes of *the* offer period Avondene, a subsidiary of the finance house North West Securities, itself part of the Bank of Scotland group, switched allegiance and came out in favour of the bid.

This took support for the offer from just over 45 per cent to a comfortable 75.8 per cent.

Prior to this move Mr David Anslow, one of the two-man/one-woman team at LBI, admitted that he had resigned himself to accepting that Lookers would gain only a large minority holding in Braid.

It looked as though LBI and Lookers would have to try again after the 12-month pause required by the City code on take-overs and mergers.

"We broke new ground in a *number of ways*," says Mr Richard Fortin, a director at LBI.

Mr Jack Pryde, one of the LBI team involved in the bid, explains what he calls a "nail-biting" sequence of events.

"Lookers already had a 21 per cent holding in Braid before it launched its bid but by the first closing date we only had accept*ances* for holdings of 8.8 per cent. We had to do something drastic.

Lookers lifted the value of its offer by 8p to 58p—increasing the total valuation of Braid by £480,000 to £3.58m—but this produced only a small increase in acceptances.

"We tried to get the agreement of the Braid directors and were ready to increase our offer to 60p but they refused."

By July 7 Lookers had raised *its holding* to 28 per cent and had acceptances from a further 7.6 per cent. But with 40 per cent of the shares ranged against it there was every prospect that the bid would fail and the acceptances would lapse.

It was at this point that LBI advised shareholders to withdraw their acceptances and sell their shares in the market. The LBI team can recall no case of this having been done in a bid where the bidder still had a chance, however small, of winning.

This way Lookers could pick up the shares offered in the market and shareholders would get near the offer price, though they would have to pay dealing fees.

"We checked with brokers and jobbers that there was no-one else in the market," says Mr Pryde. "In the early stages we thought the Bank of Scotland itself might bid but any other contender would have come out before this stage of the bid."

By *day 59—bids* may normally only run for 60 days if no competing offer has been made—Lookers held 43 per cent of Braid's shares.

Acceptances, which at one stage had stood at 7.8 per cent, had fallen to 2.5 per cent, with Lookers convinced that it had picked up the withdrawals in the market.

But even with 45.5 per cent (2.5 per cent of which would lapse if the bid failed) Lookers still did not have control and the 40 per cent block of Avondene and Braid family and directors was still holding out.

But at 3.25pm—five minutes before the offer closed on July 28—acceptances came in for a further 29.8 per cent *of the* shares. Avondene had changed its mind.

Mr Pryde puts Avondene's late decision down to the fact that most of the small shareholders appeared to have accepted the *offer and* that only a very restricted market would exist for the Braid shares, given Lookers' large minority holding.

Mr Michael Stenning of Samuel Montagu, which advised Braid, is not convinced however, *that LBI's tactics were that effective.*

"The offer went the full 60 days," he says. "It is difficult to tell the story of a company (Braid) which is in the process of turning round from losses to profits.

"We thought we were very successful in convincing people, otherwise they would not have held out to the last day."

Mr Raymond Hazlehurst, managing director of North West Securities, Avondene's direct parent, says: "I don't believe that you want to prolong the agony when someone has built up almost 45 per cent in a company."

Had Lookers not advised shareholders to withdraw their acceptances and bought shares in the market there is little chance it would have gained a holding of more than 40 per cent, which North West Securities says was "crucial" in its deciding to switch allegiance.

Ironically, while Braid was a *customer of Lloyd's Lookers was* not. LBI says this proves the independence of the merchant banking arms of the big clearing banks. This will be little comfort for Braid.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends *are interims or finals* and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Broadstone Investment Trust, Carrington Viyella, Horizon Travel, Relyon, Transport Development.

Final: Property Security Investment Trust.

FUTURE DATES

Interims—	
Blagden Industries	Aug 23
Danish Bacon	Sept 14
Grovebell	Aug 11
Hill and Smith	Aug 26
Rea Brothers	Sept 1
Wagon Finance	Aug 27
Finals—	
Associated Dairies	Aug 25
Meat Trade Suppliers	Aug 17
Restmor	Aug 17
Trafford Carpets	Aug 12

Glasgow Stockholders unchanged

NET REVENUE before tax of Glasgow Stockholders Trust for the six months to the end of *June was almost unchanged* at £471,074 compared with £471,586.

As already announced, the directors expect to recommend a total dividend of not less than 2.4p for the year, having paid an interim of 1p (0.95p). A total of 2.35p was paid last year.

Net asset value per 25p share is given as 97p compared with 111p and net assets available were £21.59m (£24.55m).

From the higher gross revenue of £725,887 (£671,972), management expenses took £57,061 (£47,357), debenture interest £11,776 (same) and loan interest £185,976 (£141,253). Tax took £156,500 (£167,982) and the preference dividend took £7,350 (same), leaving earnings of

FT Share Information

The following security has been added to the Share Information Service:—

Hunting Petroleum Services 10 per cent Cnv. Uns. Ln. Stock *(Section: Oil and Gas).*

RH GROUP ACQUIRES MERSEY TRUCKING

The RH Group, the international transport and ancillary services group of companies, has acquired a majority shareholding in Liverpool-based Mersey Trucking. The transaction values Mersey Trucking at over £1m.

The activities of the two companies *are complementary*. Mersey Trucking has traffic worldwide with specialist services to UK destinations including the Channel Islands, the Isle of Man and Northern Ireland whereas RH Group specialises in *trailer services* to Scandinavia and continental Europe.

Following the acquisition, RH Group intends to increase its worldwide shipping and airfreight interests as well as expanding in Liverpool and at its other UK locations.

RIT AND NORTHERN OFFERS FOR RIT

Acceptances of the recommended offers made by RIT and Northern (formerly Great Northern Investment Trust) for the whole of the fully paid share capital of RIT not already owned by RIT and Northern have been received as follows:

Acceptances in respect of 136,441,152 ordinary shares (90.003 per cent of the shares offered for): acceptances in respect of 22,740,192 deferred shares (90.003 per cent of the shares offered for): acceptances *in respect of* 632,569 3.5 per cent cumulative preference shares 93.52 per cent of the shares offered for]: acceptances in respect of 570,207 4.2 per cent cumulative preference shares (94.24 per cent of the shares offered for).

PRITCHARD SERVICES

As agreed at the general meeting of November 11 1980, Pritchard Services Group has paid *the final tranche* of $4.42m to the vendors of Crothall International, that company having exceeded the stipulated profit for two years to April 24 1982.

Pritchard Services Group of America has issued 3,462 new *shares* to Mr G A Crothall, representing a 5.36 per cent holding in that subsidiary for a consideration of $2.55m.

WILKES-PCA DATA

Contracts have been completed whereby Wilkes-PCA Data Supplies has disposed of its trade as supplier of data processing accessories, stock and fixed assets, to Data Efficiency for £196,000 cash.

PCA incurred a loss of £254,000 in 1981 and has continued to *trade unprofitably in the current* year. The disposal is expected to improve the liquidity and profitability of the group.

SHARE STAKES

UKO International—Consult International has acquired 150,000 shares, increasing its holding to 1,743,649 (12.41 per cent of issued ordinary capital).

Dundonian — Director D. A. Brooks has sold 25,000 ordinary shares on behalf of his wife.

Moben Group — The London Trust Company has disposed of 2m shares and now holds 6m (10.8 per cent of issued share capital). The shares were placed by brokers, Panmure Gordon.

Davenports Brewery Holdings—Following further market purchases Wolverhampton and Dudley Breweries holds 759,750 ordinary shares (9.4 per cent).

Peter Black Holdings—The church commissioners holds 310,000 ordinary shares (less than 5 per cent).

Montagu Boston Investment Trust—The Electrical Contractors' Association holds 1,325,000 ordinary (13.25 per cent).

RHP Group—Norwich Union *Insurance Group's interest* in the ordinary shares now amounts to less than 5 per cent of the issued capital.

Capital and Counties — The Kuwait Investment Office holds an interest in 4.8m ordinary (5.99 per cent).

Scottish Heritable Trust—Director Alexander Cochrane Duncan has disposed of a total of *1,057,400* ordinary in respect of he and his wife, reducing the holding to 814,000 shares (10.175 per cent), and 15,000 shares (0.1875 per cent) held as trustee. Director Hugh Martin McMaster has disposed of 205,000 ordinary in respect of he and his wife, reducing the holding to 41,400 shares (0.5175 per cent).

Halma—The board has authorised the issue of 55,556 ordinary to D. S. Barber, chairman, under the terms of the company's share option scheme. The ordinary shareholding of Mr Barber total 1,084,756 shares (5.76 per cent).

Sound Diffusion—Director Mr C. R. P. Stoner has disposed of 1,114,592 ordinary shares in respect of his wife, reducing the holding to 2m (4.34 per cent).

Allied Plant Group—Mr M. R. Heathcote has disposed of a further 50,000 ordinary 10p shares, reducing his holding to 100,000.

**Public Works Loan Board rates

Effective August 4

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	11¾	11¾	12¼	12¾	12¾	12⅞
Over 5, up to 6	11¾	12	12½	12⅝	12⅞	13⅛
Over 6, up to 7	12	12	12½	12⅝	12⅞	13⅛
Over 7, up to 8	12	12¼	12¾	12⅝	12⅞	13⅛
Over 8, up to 9	12¼	12½	13	12⅝	12⅞	13⅛
Over 9, up to 10	12¼	12½	13⅛	12⅝	12⅞	13⅛
Over 10, up to 15	12¾	13⅛	13¼	13¼	13⅜	13⅜
Over 15, up to 25	13⅛	13	13	13⅜	13⅜	13⅛
Over 25	13	13	13	13⅛	13¼	13⅛

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

** In future these rates will now appear each Thursday instead of Monday

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
‡‡	F.P.	—	45	37	Anglo-Nordic 5p	37	......	b0.89	3.0	3.4	20.8
‡‡	F.P.	—	82½	76	Antofagasta Hldgs(£1)	80	......	7.0	5.6	12.5	8.5
‡‡	—	30/7	20	11	Argyll Foods Warr'ts	17	−1	—	—	—	—
§45	F.P.	—	46	34	Atlantis Res. Int.	34	−3	—	—	—	—
—	F.P.	—	24	24	Boradin Holdings 5p	24	......	0.66	1.5	5.9	26.6
53	F.P.	7/8	66	44	✤Bio-Isolotes 10p	57	−2	—	—	—	—
§55	F.P.	—	41	38	✤Coleman Milne 10p	40	−1	u1.6	5.2	6.4	6.4
§58	F.P.	30/7	59	52	✤Dencora	54	......	—	—	—	—
—	F.P.	29/11	106	100	✤Ecobric New Ord £1	100	......	bd10.5	1.8	15.0	4.4
—	F.P.	—	63	60	✤ Do. Deld.	60	......	—	—	—	—
§110	F.P.	—	182	160	✤Int'europeTech.20p	164	−2	u4.0	1.8	3.5	23.0
§60	F.P.	17/9	60	50	✤Knight Gmptr Int5p	60	......	bd1.6	8.0	4.6	15.9
§157	F.P.	30/7	185	150	✤McCarthy & Stone	187	......	b5.78	8.7	4.4	11.2
§120	F.P.	27/8	171	153	Multitone Elect.	168	−1	u2.68	3.4	8.1	14.9
§150	F.P.	15/8	155	150	✤Oilfield Insp. Srvc.	155	......	u2.1	3.7	2.0	17.4
—	F.P.	—	26	20	RIT & Northern War'ts	22	......	—	—	—	—
¶¶	F.P.	—	58½	38	Rowe Evans Inv. 10p	34	......	—	—	—	17.9
‖‖	F.P.	—	15	18	✤Sheraton Secs 10p	12	......	—	—	—	—
‡‡	F.P.	—	44	37½	Walker (Alfred) 10p	38½	......	b0.75	6.5	2.8	7.2
—	F.P.	—	55	50	✤Yelverton Invs. 5p	50	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
‡‡	F.P.	—	60p	59p	Antofagasta 5.5% Pref. £1	65p	......
98.588	£20	—	22¾	21¼	Australia 15½% Ln. 2010	22½	−⅛
‡100	F.P.	26/8	102½	100½	Bournemouth Water 9% Red. Prf. 1988	101½	......
‡100	F.P.	30/7	100¼	95	Granite 14% Cnv. Uns. Ln. '92	97	−1
35.56	£10	27/8	11¼	10	Midland Bk. 14% Sub. Uns. Ln. 2002-07	10⅞	−¼
‡100	F.P.	—	101½	100⅝	Nationwide Bdg. Soc. 14½% (14/7/83)	101½	......
100	F.P.	—	100¼	100	Do. 13⅞% (25/7/83)	100¼	......
99.345	£25	—	29¼	24½	New Zealand 14¼% 1987	29⅛	+⅛
100	£25	9.9	25¼	25¼	Portsmouth Water 14% Red. Deb. '92	25¼	......
£100	F.P.	25/7	107p	97p	Rotaprint 11½% Cum. Conv. Red. Pref.	97p	......
‡‡R£1	F.P.	5/8	82	82	Smurfit (Jefferson) Prf. Units 8p	82	......
‡100	£10	17/11	14¼	14¼	West Kent Water 8¼% Red. Pref. 87/88	14¼	......

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price p	+ or −
180	Nil	—	50pm	47pm	Automated Security 10p	48pm	......
170	F.P.	15/6 84/6	190	180	Bank Leumi (UK) £1	180	......
100	Nil	—	40pm	30pm	Berkeley Exploration £1	30pm	......
103	F.P.	5/8 17/9	186	117	Blundell-Permoglaze	118	......
78	F.P.	28 17/9	84	80	Coal Pet. 5p	80	......
85	F.P.	8/7 6/8	25½	28	Jenks & Cattell	28	......
65	F.P.	30/7 20/8	94	82	Minster Assets	92	......
60	F.P.	24/6 13/8	82	62	Press (Wm.) 10p	62	......
215	F.P.	5/7 13/8	283	269	Skotchley	283	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. f Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. F Dividends and yield based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. * Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✤ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Units comprising five ordinary and three Cap. shares. ∇ Issued free as an entitlement to ordinary holders.

PENDING DIVIDENDS

Dates when *some of* the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
*Associated Dairies	Aug 25	Final 2
*Ault and Wiborg	Aug 13	Interim 0.5
*Automotive Products	Aug 13	Interim 1.0
Babcock Int.	Sept 2	Interim 3.4
BBA	Aug 27	Interim 9.84
BET	Sept 3	Final 5.709
BICC	Sept 9	Interim 3.33
BP	Sept 3	Interim 6.25
BTR	Sept 10	Interim 4.25
Barrow Hepburn	Sept 18	Interim 0.8
Blue Circle Industries	Aug 26	Interim 5.75
Boddington Breweries	Sept 17	Interim 1.6
Booker McConnel	Sept 17	Int 1.375
Bowater	Sept 9	Interim 4.25
British Aerospace	Sept 15	Interim 3.0
*British Aluminium	Aug 11	Interim 2.0
British Vita	Sept 1	Interim 2.7
Bunzl	Sept 16	Interim 4.5
Burmah	Sept 16	Interim 1.5
Cadbury Schweppes	Sept 3	Interim 1.3
*Carrington Viyella	Aug 9	Interim nil
Charterhouse Group	Sept 3	Int 1.925
Comben	Aug 26	Interim 1.2
Commercial *Bank Aust.*	Aug 13	*Final due*
*Commercial Union	Aug 10	Interim 4.85
Cons. Gold Fields	Sept 15	Final 16.0
Costain	Sept 8	Interim 4.5
Croda Int.	Sept 15	Interim 1.5
De Beers	Aug 18	Interim 25c
Delta	Sept 16	Interim 1.82
Eagle Star	Sept 16	*Interim 7.0*
Expamet Int.	Sept 15	Interim 2.0
*General Accident	Aug 11	Interim 7.5
*Glynwed	Aug 11	Interim 2.45
Gold Fields SA	Aug 18	Final 320c
GRE	Sept 2	Interim 6.75
GKN	Sept 17	Interim 4.0
Guinness Peat	Sept 11	Final 1.25
Hawley Group	Aug 26	Interim 1.1
Hepworth *Ceramic*	*Sept 10*	Interim 2.25
*Highlands	Aug 26	Interim 5c
*HK & Shanghai Banking	Aug 24	Int HK$0.21
*House of Fraser	Sept 29	Interim 2.0
*Horizon Travel	Aug 9	Interim 1.15
*IMI	Sept 7	Interim 2.0
KCA Int.	Sept 17	Interim 2.75
Lead Industs.	Sept 10	*Interim 3.7*
Legal & General Assurance	Sept 18	Interim 4.0
Lond. Mrchnt. *Securities*	Sept 15	Final 0.72
Nurdin and Peacock	Sept 8	Interim 1.125
*Ocean *Transport*	Aug 10	*Interim 4.3*
*Pearl Assurance	Aug 25	Interim 8.5
Pearson (S.)	Sept 14	Interim 3.75
P & O	Sept 9	*Interim 3.0*
Phoenix Assurance	Sept 2	Interim 7.3
Prudential	Sept 10	Interim 4.5
Raybeck	Aug 28	Final 1.131
Reckitt and Colman	Sept 8	Interim 3.8
*Rentokil	Aug 18	Interim 1.05
RTZ	Sept 16	Interim 5.5
*Royal Dutch Petroleum	Aug 18	Int. Fl 3.00
*Royal Insurance	Aug 16	Interim 9.75
*Securicor	Aug 18	*Interim 0.55*
Sedgwick	Sept 10	Interim 2.25
*Shell Transport	Aug 18	Interim 8.0
Sime Darby	Aug 27	Final 17
Slough Estates	Aug 28	Interim 1.25
*Smith and Nephew	Aug 10	Interim 1.3
Standard and Chartd. Bk.	Sept 8	Interim 13.8
Steetley	Sept 17	Interim 4.0
*Stenhouse	Aug 18	Interim 1.82
Sun Alliance	Sept 2	Interim 19.5
*TI Group	Aug 11	Interim 12.5
*Taylor Woodrow	Aug 17	Interim 3.15
*Transport *Development*	Aug 9	*Interim 1.45*
Travis and Arnold	Sept 18	Interim due
*Tricentrol	Sept 2	Interim 0.64
*Turner and Newall	Sept 2	Interim due
*Ultramar	Aug 12	Interim 5.0
United Biscuits	Sept 10	Interim 2.25
UDS	Sept 17	Interim 2.6
*Wagon Finance	Aug 27	Interim 0.625
Weir	Sept 2	Interim 0.1
Willis *Faber*	Sept 15	*Interim 4.3*
*Woolworth (F. W.)	Aug 11	Interim 1.225
Yorkshire Chemicals	Sept 10	Interim nil

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

Bank	Rate
A.B.N. Bank	11½%
Allied Irish Bank	11½%
Amro Bank	11½%
Henry Ansbacher	11½%
Arbuthnot Latham	11½%
Associates Cap. Corp.	12 %
Banco de Bilbao	11½%
BCCI	11½%
Bank Hapoalim BM	11½%
Bank of Ireland	11½%
Bank Leumi (UK) plc	11½%
Bank of Cyprus	11½%
Bank Street Sec. Ltd.	13 %
Bank of N.S.W.	11½%
Banque Belge Ltd.	11½%
Banque du Rhone	12 %
Barclays Bank	11½%
Beneficial Trust Ltd.	12½%
Bremar Holdings Ltd.	12½%
Brit. Bank of Mid. East	11½%
■ Brown Shipley	12 %
Canada Perm't Trust	12 %
Castle Court Trust Ltd.	12 %
Cavendish G'ty T'st Ltd.	13 %
Cayzer Ltd.	11½%
Cedar Holdings	12 %
■ Charterhouse Japhet	11½%
Choulartons	12½%
Citibank Savings	¶12 %
Clydesdale Bank	11½%
C. E. Coates	12½%
Comm. Bk. of N. East	11½%
Consolidated Credits	11½%
Co-operative Bank	*11½%
Corinthian Secs.	11½%
The Cyprus Popular Bk.	11½%
Duncan Lawrie	11½%
Eagil Trust	11½%
E.T. Trust	11½%
Exeter Trust Ltd.	12½%
First Nat. Fin. Corp.	14½%
First Nat. Secs. Ltd.	14 %
Robert Fraser	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Hargreave Secs. Ltd.	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	†11½%
Hongkong & Shanghai	11½%
Kingsnorth Trust Ltd.	13 %
Knowsley & Co. Ltd.	12 %
Lloyds Bank	11½%
Mallinhall Limited	11½%
Edward Manson & Co.	13 %
Midland Bank	11½%
■ Samuel Montagu	11½%
■ Morgan Grenfell	11½%
National Westminster	11½%
Norwich General Trust	11½%
P. S. Refson & Co.	11½%
Roxburghe Guarantee	12 %
Slavenburg's Bank	11½%
Standard Chartered	11½%
Trade Dev. Bank	11½%
Trustee Savings Bank	11½%
TCB	11½%
United Bank of Kuwait	11½%
Volkskas Intl. Ltd.	11½%
Whiteaway Laidlaw	12 %
Williams & Glyn's	11½%
Wintrust Secs. Ltd.	11½%
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.5%, 1 month 8.75%. Short term £8,000/12 month 11.1%.
† 7-day deposits on sums of: under £10,000 8¾%, £10,000 up to £50,000 9¼%, £50,000 and over 10%.
‡ Call deposits £1,000 and over 8¼%.
‖ 21-day deposits over £1,000 9½%.
§ Demand deposits 8¼%.
¶ Mortgage base rate.

THE TRING HALL USM INDEX
127.1 (−0.6)
Close of business 6/8/82
Tel: 01-638 1591
BASE DATE 10/11/80 100

LADBROKE INDEX
548-553 (−8)

INTERNATIONAL CAPITAL MARKETS

U.S. BANK CDS

Continental Illinois shakes up 'the run'

CONTINENTAL ILLINOIS' decision to drop out of the top quality certificate of deposit market because of its trouhles with the failed Penn Square Bank bas focussed attention on this relatively obscure hnt important bank funding source whicb was plunged into turmoil by recent events.

To boost their deposits, all major U.S. banks take in large amounts of wbolesale funds in exchange for certificates which denote the amount of the deposit, its maturity and the interest payable. A typical CD might be for $1m with a maturity up to six months. Most CD's are held by the depositors. But billions of dollars worth are also traded in active secondary markets on both Wall Street and the Euromarkets.

The yield on CD's can vary greatly depending on the quality of the issuing bank. But a convention has grown up that CD'a from the 10 largest banks in the U.S. enjoy a special status, partly because only they are eligible for delivery under CD futures contracts. These are traded in an exclusive secondary market nicknamed "the run" whicb consists of the banks themselves and some two dozen top Wall Street dealers. The key feature of the market is tbat CD'a are traded on a "no-name" basis: since all the banks are considered to be ton quality, their paper is interchangeable, and dealers must be ready to accept wbatever bank's paper is offered to them in a trade.

Banks on "the run"	Assets at end 1981 $bn
Bank of America	121
Citicorp	119
Chase Manhattan	78
Manufacturers Hanover	59
Morgan Guaranty	54
(Continental Illinois	47)
Chemical Bank	45
Bankers Trust	34
Security Pacific	33
First Chicago	33

The run works well so long as all the top 10 banks live up to their name. But the moment one of them gets ioto trouble, the whole market is liable to weaken because traders discouot the possibility that they will be landed with the troubled hank's paper.

In the case of Continental, by far the worst shock to hit the run, trading seized up altogether because demand for the bank's CD's evaporated completely. For a while, traders say, the market was in chaos, and tbe only solution was for Continental voluntarily to withdraw, which it did.

For Continental, it was a major setback, but at least its CD's started trading again, albeit stickily. Traders say Continental now has to pay 1 per cent to 2 per cent more than its erstwhile peers, and dealers are nervous because there is a big inventory of Continental CD's overhanging the market.

This extra cost is extremely burdensome for Continental which relies heavily on bought funds, and there are doubts as to whether it will be able to roll over CD's as they mature.

Continental has not denied that its funding costs have gone up, but Mr Donald Miller, the vice-chairman, claimed last week that the bank had been able to shift funding into other markets where it had less trouble, *such as the* inter-bank market. Continental also says it hopes to get hack into the run once its problems are over.

Even so, there is a view oo Wall Street that the reaction to Continental's losses has been overdone. The bank is plainly not about to go broke, and some dealers say Continental paper, with its higb yields, is an attractive investment.

Continental is not the only bank to have suffered knocks of course, and dealers say that some "tiering" is evident among the remaining nine when they sell their CD's ontside the run to individual depositors.

Only three banks appear to attract top rates now. They are Bank of America, Morgan Guaranty and Manufacturers Hanover, all of which either have good earnings records or low loan losses. The second tier consists of banks who are building up top quality reputations: Chemical Bank, Bankers Trust and Security Pacific.

The third consists of banks with patchy records or an exceptiooally voracious appetite for funds: Citicorp, First Cbicago and Chase Manhattan. Chase is probably the weakest, given its recent problems with Drysdale Securities and Penn Square.

David Lascelles

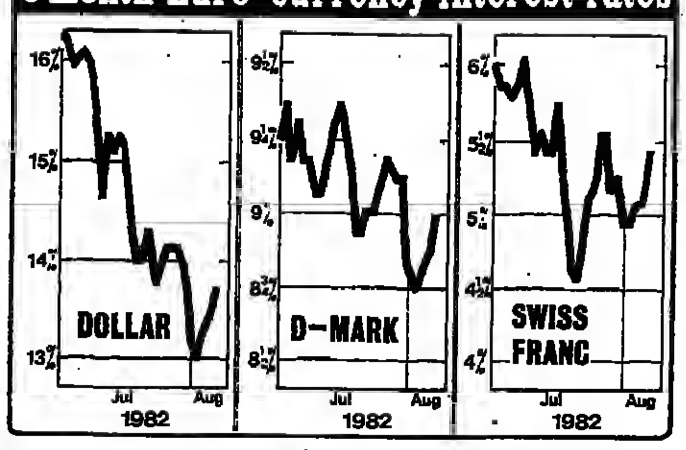
INTERNATIONAL BONDS

Sudden loss of appeal for warrants

"WE DID not realise the panic content of warrants. The underwriters and investors just stopped buying."

This was the lament of one new issue manager who admitted to losing "a lot of money" as the Eurodollar bond market's sentiment turned sharply against the spate of new warrants—options to buy bonds later at a fixed coupon.

6 month Euro-currency interest rates



Warrants are sometimes the darling of the market — an innovative method for investors to speculate on a future decline in interest rate levels. They work in the following manner: the investor huys a warrant which is exercisable in a set period, say, two or three years. The coupon is set and the warrant price is a negligible amount, say $20 or $30 for each option to purchase a $1,000 nominal Eurobond. If ioterest rates decline to below the coupon specified with the warraut, then the overall purchase price of the bond—the $1,000 plus the warrant price of $20 or $30 — may provide an attractive yield above prevailiog rates.

But last week saw heavy selling and falling prices on a number of new warrants wbich came with bonds for Du Pont, Xerox, Manufacturers Hanover Trust and other issuers.

The problems developed in the middle of last week after the launch of six new bond-plus warraot deals. When IBM came to Europe to sell $100m of 13¾ per cent bonds 10 days ago, it also offered warrants priced at $25 to purchase 13 per cent 1987 paper. These did well, trading above $40 at one stage before settling at a more modest premium price of $31 on Friday.

But IBM spawned imitators of lesser quality. New issue managers continued, however, to price the warrants at quality prices. In the wake of $2.8bn of new Eurodollar paper over the past fortnigbt the market became increasingly selective and sluggish and warrants lost their appeal. Prices came tumbling down below their initial levels.

Du Pont's $38 warrants, for example, to buy 13½ per cent 1989 paper fell to $28 last week and many Eurobood houses dumped the warrants in a panic, thus losing sizeable amounts of money.

Mr Hansjoerg Rudloff, deputy chairman of Credit Suisse First Boston, criticised oo Friday managers who priced warrants too high and then saw them sold at knock-down prices. "The lead-managers misjudged a concept."

Mr Rndloff's main complaint was that prices were set too high and there was not enougb room for "upside potential"—the prospect of capital appreciation from the warrant issue price. He even included the Du Pont deal in his remarks, whicb CSFB had helped to lead-manage.

The losses of various managers increased as warrant issue prices dropped lower last week. Du Pont's warrants were followed by Xerox $30 warrants to buy 13¼ per cent 1987 paper. By Friday Xerox warrant price was $18. Manufacturers Hanover warrants opened at $20 oo Thursday and fell to $15 in 24 hours.

At these levels the warrants were beginning to attract some bargain hunters late For the managers who splattered the market with cheap warranta, however, the damage was already done.

Elsewhere in the Eurodollar market, the heavy load of new issues led to some indigestion. The warrant upset also affected the accompanying honds. Du Pont's for example, traded at a discount of more than 2 per cent and sold slowly.

Eurocurrency deposit rates nudged upward as well and this made dealers nervous. Tbe market was still making money by holding onto hond ioventories at relatively cheap overnigbt financing costs—the phenomenoo known as positive carry—but some inventories seemed rather heavy as the week closed, according to dealers.

Among last week's issues was a successful $300m 14¼ per cent 1989 Eurobond for Deutsche Bank, guaranteed by Deutsche Bank Luxembourg and led by Deutsche, CSFB and Merrill Lynch.

The issue involves an interest-rate swap under which Bank of America, Credit Suisse and Merrill Lynch, as conntei-parties, pay the 14¼ per cent Deutsche Bank coupoo. In return Deutsche takes over floating rate debt and ends up payiog helow the London inter-bank offered rate.

The swap counter-parties either desire a fixed 14¼ per cent rate or manage to pass on the funds with an additional spread to their clients. Deutsche Bank meanwhile, refinances floating rate credits granted by its Luxembourg subsidiary.

Alan Friedman

CREDITS

Mexico takes 'only dignified alternative'

"THE ONLY dignified alternative in this difficult moment." With these words Sr Jesus Silva Herzog, Mexico's finance minister, spoke of the decision to institute a two-tier foreign exchange system last week.

The result of Mexico's decision came swiftly—a rapid 30 per cent depreciation of the peso against the U.S. dollar. The peso'a fall was the second this year for a total depreciation of more thao 60 per cent.

Limitations of foreign credit available to Mexico had led to unsustainahle pressures on the peso, Sr Silva Herzog said.

In London and New York, as the dust began to settle, bankers reckoned the Mexican move would accelerate the rate at which spreads on its foreign currency loans will rise. "The credit image of Mexico is not going to improve as a result of this two-tier package," said one expert on Mexicao finance.

What will Mexico's deepening financial problems mean in the Eurocredit market? The consensus view appears to be that paying higber spreads on Mexican credits is no longer the only answer—bankers want reassurances that the situation will stabilise.

In Venezuela meanwhile, Bankers Trust said on Friday it did not have the mandate for a $500m five-year credit for Banco Industrial de Venezuela. BIV is reluctant to pay more than 1 per cent over Libor.

Bids on the $500m credit for EDELCA and CADAFE, the state electricity utilities, are said to contain spreads ranging from ⅞ to 1¼ per ceot over seven years. The mandate should he awarded within a fortnight.

Corporacion Venezolana de Fomento (CVF), the development ageocy, bas arranged a $100m one-year credit at ½ per cent over Libor through Rosenthal International, the Long-Term Credit Bank of Japao, Bank of Nova Scotia and eight other banks.

Ecuador is arranging a $200m one-year credit through E. F. Hntton, Dai-Ichi Kangyo and LTCB. Spreads are ⅞ per cent over Libor for banks takiog $1m to $4m, ¾ per cent for $5m to $9m and ⅝ per cent for $10m or higher.

In Eastern Europe, Yugoslavia is due to reply to a French proposal through Paribas for a $150m credit. French banks want to link the deal to tbe export of French goods to Yugoslavia, but Belgrade is not very keen to agree.

The Citicorp - co-ordinated $200m credit for Yugoslavia is still in the pipeline. U.S. banks are likely to take the lion's share, with Japanese banks possibly chipping in $50m.

Today sees the signing of Hungary's $260m club loan led hy Manufacturers Hanover Trust and tomorrow marks the latest stage of formal Polish debt rescheduling talks in Warsaw. Western bankers are hoping to resist Poland's demand that more than 50 per cent of its 1982 interest payments of $900m are returned immediately as fresh trade credits.

A. F.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Telmex‡	50	1997	15	18¼	100	CSFB, Merrill Lynch	18.250
World Bank††‡	300	1987	5	14⅝	100	Goldman Sachs	14.625
Saskatchewan‡	150	1992	10	15	100	CSF8	15.000
Pac. Gas and Electric	60	1990	8	14½	*	CSFB	*
Am. Natural Resources¶‡	50	1989	7	15⅜	100	Goldmao Sachs	15.375
First Chicago Nat. Bk.†‡	100	1994	12	5¼Φ	100	Salomon Bros.	—
Du Pont ¶‡	200	1989	7	14⅛	100	Morgan Gty., CSFB, Morgan Stanley	14.125
Sperry Corp.‡	100	1989	7	15	100	8lyth Eastman Paine Webber	15.000
Xerox¶‡	100	1987	5	14	100	Salomon 8ros., Goldman Sachs	14.000
Oeutsche Bank‡	300	1989	7	14¼	100	Oeutsche Bank, CSFB, Merrill Lynch	14.250
Manufacrs. Hanover¶‡	100	1986	4	13½	100	Goldman Sachs	13.500
Sthn. Cal. Gas‡	50	1989	7	15	100	Morgan Stanley	15.000
D-MARKS							
Swed. Export Credit‡	100	1987	5	9½	100¼	West LB	9.435
Air Canada‡	100	1992	10	9	100	Deutsche Bank	9.000
Mortgage 8k. of Oenmark	100	1992	10	9¼	*	West LB	*
SWISS FRANCS							
Daikin Kogyo**¶‡	50	1987	—	6⅞	100	CS	6.875
Sankyo Seiki**§‡	20	1987	—	6¼	100	SBC	6.250
Minebea Co.§‡	100	1992	—	6½	100	Bank Hofmann	6.500
Sumitomo Metal‡	100	1992	—	6¾	100¼	SBC	6.680
Fairchild Inds.**‡	60	1987	—	6⅞	100	UBS	6.875
Aichi Machine Ind.**‡	20	1987	—	7¼	100	SBC	7.250
Asian Oevt. Bank	100	1992	—	*	*	SBC	7.125
STERLING							
Prov. of Quebec‡	30	1989	7	14½	100	SG Warburg	14.500
GUILDERS							
Asian Devt. Bank	100	1992	8	11	*	ABN, Amro Bank	*
EIB**‡	75	1987	5	10	100	Amro Bank	10.000

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ With warrants. Note: Yields are calculated on an AIBO basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Euphoria turns out to be short-lived

WALL STREET'S spell of euphoria turns out to have been short-lived. After rejoicing briefly over the recent sharp fall in interest rates, the markets succumbed to more gloom and doom again last week raising new uncertainties over trading this week.

The deterioration was particularly marked last Friday when bond prices dropped sharply and the money supply figures showed a slightly bigger than expected increase. Only a week ago, Wall Street was cheering a cut in both the discount rate and the prime rate.

The causes of the renewed gloom were all too familiar: torrents of Treasury debt and nagging doubts over just how lenient a monetary policy the Federal Reserve is pursuing.

However, the period ahead should also answer a key question: Are interest rates merely hiccuping on what is still basically a downward trend? Or have they gone as low as they are likely to go for the time being?

The centrepiece last week was the Treasury's $11bn third quarter refunding which not only put pressure on the markets but served as a reminder of the Government's massive financing needs. Although Wall Street managed to absorb this debt, retail interest was reportedly thin, leaving dealers holding the bulk of the new paper.

The refunding, first stage, consisted of $6bn of three-year notes which went for a yield of 13.17 per cent. This was significantly lower than the yields achieved at the previous refunding in May and evidently not high enough to attract strong investor interest. There was a similar story with the $5bn of 10-year notes which yielded 13.69 per cent. By the end of the week, these yields had risen slightly.

At the same time the Fed entered the market to drain reserves on two consecutive days, effectively stabilising the weekly Fed funds rate at a level just above the 11 per cent discount rate. The Fed's intervention on Tuesday marked a watershed and interest rates have been stable to slightly firmer in the aftermath. This made dealers nervous about their carrying costs and prompted speculation that the Fed was trying to signal that the decline in interest rates had gone far enough for the time being.

As a result, yields in the bond market started to climb towards the end of the week. The Treasury long bond for example, was yielding 13.48 per cent on Friday compared to 13.13 per cent on Monday. This does not augur well for trading this week.

Friday's money supply figures did nothing to improve the market's tone because although the $900m increase was well within the Fed's targets, some Wall Street economists had been hoping for a smaller increase—or even a slight further decline. The rise was particularly bothersome because analysts are predicting that this week's money supply figures are likely to show a substantial increase, perhaps $2bn to $3bn for seasonal reasons and that will push M1 close to or over the top of the Fed's target range.

These developments were ironic given that last week witnessed a major about-turn by the Reagan Administration on the question of tax increases. The White House threw its weight behind a measure to increase taxes by $99bn over the next three years. But clearly Wall Street does not believe this will come to anything.

The Treasury refunding hogged the market's attention and squeezed out potential corporate borrowers. Only $265m of corporate bonds were sold. The calendar this week also looks thin. General Motors is down for a $200m issue of three-year notes, part of the car manufacturer's massive multi-billion dollar financing programme for this year.

Further indications of the state of the U.S. economy will come this Friday with the producer price index which is expected to show a large gain, and the industrial production index for July.

Paul Taylor

U.S. INTEREST RATES (%)

	Week to Aug. 6	Week to July 30
Fed. Funds wkly. av.	10.73	11.45
3-month Treas. bills...	8.80	10.17
3-month cd.	11.40	11.90
30-year Treas. bonds .	13.25	13.44
AAA utility	15.25	15.38
AA industrial	15.00	15.25

Source: Salomon Bros. (estimates). In the week to July 28 M-1 rose $900m to $451.4bn.

Nuovo Banco Ambrosiano opens amid controversy

BY RUPERT CORNWELL IN ROME

AFTER A weekend of frantic activity, Nuovo Banco Ambrosiano opens its doors for business "as usual" today, less than 72 hours after the old Banco Ambrosiano of the late Sig Roberto Calvi was placed in liquidation with net liabilities that could reach L750bn ($535m).

Officials sent in by the seven banks participating in the L600bn capital of the new Ambrosiano have spent Saturday and Sunday in the 107 branches of its predecessor, readying the books for today's fresh start. A massive advertising campaign is also being launched to reassure depositors.

The starting capital may be raised later to up to L900bn, an increase which would embrace plans to allow bone fide smal shareholders of the old Banco Ambrosiano to subscribe to privileged shares in its successor.

In the meantime the Bank of Italy is emphasising that the new bank will guarantee the interest of deposits both Italian and foreign of the former Milan parent—even though it is not taking over Banco Ambrosiano Holding of Luxembourg, and its other foreign associates.

Controversy is already starting over whether the liquidation of Banco Ambrosiano SpA was the correct course to follow. But Sig Nino Andreatta, the Treasury Minister, declared yesterday that there had been no alternative.

To have reconstituted the capital of the old bank would have meant shareholders putting up between L10,000 and L15,000 for each of the 50m shares in its former L50bn capital—equivalent to a total of between L500bn and L750bn.

Had shareholders been asked to cover debts of the whole group, including liabilities of foreign affiliates, the total could have been between L40,000 and L50,000 per share, for a total of between L2,000bn and L2,500bn.

● Meanwhile, Banca Unione di Credito of Switzerland has petitioned the Bahamas Supreme Court for liquidation of Banco Ambrosiano Overseas, following the Nassau bank's failure to meet payments of $8.5m plus interest due in July, Nicki Kelly reports from Nassau.

Ambrosiano Overseas, one of the offshore subsidiaries caught up in the financial difficulties of Italy's Banco Ambrosiano group, advised Banca Unione on July 9 that all payments to third parties had been deferred until further notice.

Ambrosiano Overseas ran into problems when its Luxembourg parent, Banco Ambrosiano Holding defaulted on some $150m it borrowed from the Bahamian operation and a further $400m borrowed from banks worldwide.

The Bahamas central bank suspended the licence of the Nassau bank on July 16 for 30 days after it became clear that Banco Ambrosiano could not guarantee the borrowings of its offshore subsidiaries.

Gulf move hits Cities Service

By Paul Betts in New York

WALL STREET'S attention will be focused today on Cities Service's share price with many leading institutions and investment houses waiting with apprehension to see how badly it will be hit by Gulf Oil's decision to drop its $5bn bid.

Gulf's decision on Friday to withdraw its $63 a share cash and securities bid took the market by surprise.

Gulf, the country's sixth largest oil company, blamed its decision on opposition to the merger by the Federal Trades Commission.

Many Wall Street investment houses and risk arbitrageurs are expected to suffer severe losses after buying the shares at between $40 and $60.

On Friday Cities Service's shares dropped nearly $7 to $37½ before Gulf's announcement. The stock is now expected to be battered further with some brokers forecasting a decline to a range of between $34 and $22 a share.

New Treasury fund with low initial cost from Merrill Lynch

BY PAUL TAYLOR IN NEW YORK

MERRILL LYNCH, the Wall Street investment firm, is launching novel deep discounted zero coupon notes today in the U.S. and Europe with a total face value of $2.56bn.

The new issue, called "Tigrs" —Treasury Investment Growth Receipts—will be sold to institutional and private investors in two forms, serial and callable.

Mr Joseph Wilson, managing director of Merrill Lynch's White Weld capital markets group, said the new issues would provide a predetermined income for an initial low cost.

Under the system the investment firm will buy $500m of U.S. Treasury long bonds and deposit them with Manufacturers Hanover Bank.

It will then issue Tigr deposit receipts against the interest and principal due. Of the $2.56bn in Tigrs which Merrill Lynch plans to sell, $1.72bn will be in serial Tigrs with 49 maturity dates matching interest payments on the Treasury long bond between this November and November 2006.

The remaining $850m will be sold in the form of callable Tigrs reflecting the fact that the Treasury long bond is also callable in the last five years. The purchaser will be entitled to receive a semi-annual interest payment commencing in May 2007 until November 2011 on the principal portion which he purchases.

The two issues which are expected to be priced sometime this week to yield between ½ and 1½ points below market yields, depending upon maturities. On this basis the longer maturity Tigr would yield about 12½ per cent based upon current yields.

Sime Darby management changes

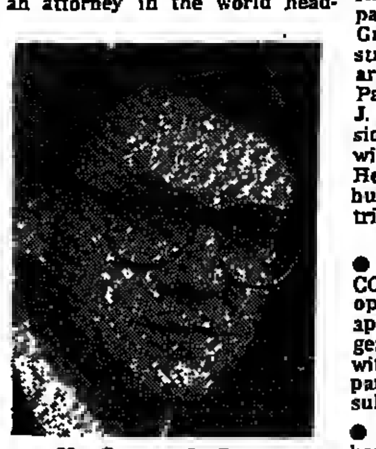
● THE SIME DARBY GROUP has made a number of senior management appointments. Encik Halim Dahlan becomes regional director Malaysia. Encik Halim, who joined the Sime Darby Group in 1978 as the development director for the Western international division in London, in his new role will continue to have chief executive responsibility for Pernas-Sime Darby. He will also join the board of Sime Crest Berhad and assume responsibility for Sime Darby Group activities in Thailand. Mr F. C. Whiting, currently the executive vice-president of Sime Darby International Tire Company (Siditco) has been appointed regional director, Philippines. He was previously with the Monsanto Company in Missouri. Encik Din Merican has been made Sime Darby Group treasurer. He joined the Sime Darby Group as assistant group treasurer in 1978 and became group finance manager in August 1980. Mr J. W. Y. Eu has been appointed group manager insurance services. He will continue as managing director of United Malayan Insurance Bhd, the oldest locally-controlled insurance company in Malaysia and a subsidiary of the Sime Darby Group.

INTERNATIONAL APPOINTMENTS

● PHELPS DODGE CORPORATION has made the following promotions: Mr Richard T. Moolick as vice chairman responsible for the company's mining, energy and exploration activities, has been elected president from September 1. Mr George B. Munroe, chairman and president, will continue as chairman and chief executive officer. The company has appointed the following senior vice presidents from September 10: Mr G. Robert Durham, Mr Richard W. Pendleton, Jr., and Mr Douglas C. Yearley. Mr Durham is a vice president and chairman of Phelps Dodge International Corporation, a subsidiary which manages the company's foreign manufacturing interests. Mr Pendleton is a vice president and chief legal officer of the company.

● Mr Bobby R. Inman, a retired U.S. Navy Admiral, has been elected to the board of WESTERN UNION CORPORATION and its principal subsidiary, THE WESTERN UNION TELEGRAPH COMPANY. Formerly the deputy director of Central Intelligence, Admiral Inman retired from the Navy earlier this month after 30 years service.

● Mr George C. Greer has been elected vice president—organisation development and administration of H. J. HEINZ COMPANY, Pittsburgh. He joined Heinz as an attorney in the world headquarters law department in 1959. He later served in marketing management positions with H. J. Heinz Company Ltd, the UK company's subsidiary. He was named director-organisation development at the corporate level in 1972 and held that position at the time of his promotion.



Mr George C. Greer

In a move to streamline its containership service in the Caribbean and Central America, the U.S.-flag carrier SEA-LAND SERVICE, INC. has formed a new operating arm — the Americas division, previously part of the company's Atlantic Group. The company is now structured into three primary areas of operation: the Atlantic, Pacific and Americas. Mr David J. Tolan, named Americas Division executive vice president, will head the new operating arm. He was executive vice president, human resources, Sea-Land Industries, Inc.

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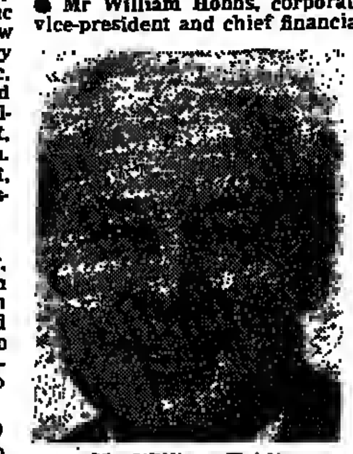
● Mr David L. Bowler, CONOCO (UK)'s Northern operations manager, has been appointed vice president and general manager of operations with the Dubai Petroleum Company, a wholly-owned Conoco subsidiary.

● DIEBOLD INCORPORATED has elected seven executives to newly created titles within the corporation. Elected senior vice president are: Mr Harry E. Parr, Jr., finance and chief administrative officer; Mr Walter Crow, security products group; Mr Robert W. Mahoney, electronic products groups. Elected group vice president are: Mr Robert P. Barone, automatic banking systems; Mr Louis V. Bockius, manufacturing; Mr Joseph K. Caron, bank products; Mr Robert M. Yopko, installation and technical services. The above will also be members of the corporation's planning and strategy committee.

● Mr William Hobbs, corporate vice-president and chief financial officer of KAISER ALUMINUM AND CHEMICAL CORPORATION, will assume new responsibilities as senior vice-president and assistant to the chairman. Succeeding Mr Hobbs as chief financial officer is Mr Edward M. Quinnan. Mr Quinnan has also been elected a corporate vice-president.



Mr William Hobbs

● AIRBUS INDUSTRIE of North America (AINA) has made Mr Alan S. Boyd its new chairman and president. Mr Boyd was the first U.S. Secretary of Transportation and chairman of the Civil Aeronautics Board. He led American negotiating teams working on international air services agreements. Since 1978 he had been chairman and president of National Railways Passenger Corporation, Amtrak. AINA is a wholly-owned subsidiary of Airbus Industrie.

● Mr Daniel P. Weadock has been elected a senior vice president of INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION. Mr Weadock has also been appointed deputy group executive Europe and executive vice president, operations-ITT Europe, Incorporated. Mr Weadock was executive assistant to the president-ITT Europe. He has also served as president of ITT Africa and the Middle East and before that was director of operations for the AME group.

● Mr Joseph M. Kelly has become co-partner and executive vice-president of CUSTOM AUDIENCE CONSULTANTS (CAC), a Washington-based broadcasting research firm.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97 ...	150	103¾	103⅞	−0¼	−0¼	13.61
Amax Int. Fin. 15¾ 92	75	99¾	100¼	−0⅛	+0¼	15.22
Ames O/S Fin. 14¾ 88	75	97	97⅞	−0¾	+0½	14.88
ATT 14¼ 89	400	103⅛	103¾	−0¼	−0⅛	13.37
Baker Int. Fin. 0.0 92...	225	26¼	27¼	−0⅛	0	14.69
BHP Finance 14¾ 89..	150	97	97¼	−0⅛	0	15.39
Bk. Amer. NT SA 12 87	200	92½	92¾	0	+0½	14.29
Bk. Montreal 14½ 87 ...	100	95	95½	0	+0¼	15.94
Bque. Indo Suez 15 89	100	96¼	97¼	−0¼	0	15.70
British Col. Hyd. 14¾ 89	200	98⅞	99¾	−0¼	+0¼	14.92
British Col. Hyd. 15¾ 92	150	101¼	101¾	0	+0¼	14.86
Burroughs Int. 15¼ 88	50	103⅞	104¼	0	+0¼	14.56
Canada 14¾ 87	750	99¾	100¼	+0¼	+0⅞	14.38
Canadair 15½ 87.........	150	101⅝	101⅞	−0¼	+0¼	14.91
Canadian Pac. 14¾ 92	75	95	95¾	+0¼	+0¼	15.57
Carolina Power 16½ 89	80	104⅛	105¼	−0¼	+0¼	16.20
CIBC 16 87	100	98¾	98¾	0	+0¼	10.44
Citicorp O/S 15 84/92	100	99¾	100¼	−0¼	−0¼	14.84
Citicorp O/S 15¼ 85/97	125	101¼	101¾	−0¼	+0¼	14.69
CNA 15⅞ 97	75	101	101¾	0	+1¼	15.60
Con. Illinois 15¾ 89	100	95½	96	−0¼	−3¼	10.79
Duke Pwr. O/S 15¼ 89	60	100¼	101	−0¼	+0¼	15.20
Dupont O/S Cap. 0.0 90	300	35⅞	36¼	−0¼	+0¼	14.51
ECSC 14¾ 87 (April) ...	80	99	99½	−0¼	+0¼	14.91
EIB 15¾ 89	150	100⅞	101¼	−0¼	+0¼	15.15
Ela 15¼ 92	100	100¼	100¾	−0¼	+0¼	10.41
Ekaportfinans 14¼ 89 ...	50	98¼	99¼	−0¼	+0¼	14.73
Gen. Elec Credit 0.0 92	400	28½	29	−0¼	−0¼	13.97
Gen. Elec. Credit 0.0 93	400	25¼	25¾	0	+0¼	13.88
Getty Oil Int. 14 89 ..	125	99¾	99⅞	−0¼	−0¼	14.05
GMAC O/S Fin. 10 88	150	102⅛	103⅜	−0¼	+0¼	15.12
GMAC O/S 15¾ 85/97	100	99¾	99¾	−0¼	−0¼	15.43
GMAC O/O Fin. 15 89	125	98⅞	100	−0⅛	−0¼	15.02
GMAC O/S Fin. 15 87	100	99¾	100¼	0	−0¼	14.94
Gulf Canada Ltd 14¼ 92	100	87¾	88¼	+0¼	+0¼	15.13
Gulf Oil 14¼ 94	175	99½	100	−0¼	+0¼	14.26
Gulf Oil Fin. 0.0 92	300	28¼	28¾	−0¼	−0¼	14.01
Int.-Am. Dv. Bk. 15¾ 87	55	99¾	99¾	0	0	10.23
Japan Dev. Bk. 15¼ 87	50	104⅛	104¼	−0¼	+0¼	14.05
New Brunswick 16¾ 89	75	103	103¾	−0¼	−0¼	10.36
Ontario Hydro 14¾ 89...	150	99¼	99¾	−0¼	+0¼	14.85
Pac. Gas & El. 15¼ 89	45	103½	104	−0¼	0	14.53
Phillips Petrol 14 89 ...	200	97¼	98	−0¼	−0¼	14.50
R.J. Rynlds. O/S 0.0 92	400	27⅞	28¼	−0¼	−0¼	14.33
Saskatchewan 16 89 ...	125	102⅛	102¾	−0¼	−0½	15.30
Shell Canada 14¾ 92 ...	125	97¼	97¾	−0¼	+0¼	14.84
Spain 15¼ 87	100	100¾	101¼	−0¼	+0¼	15.39
Superior O/S Fin. 14 89	125	97½	98	−0¼	+0¼	14.61
Swed. Exp. Cr 15¼ 89	100	99¾	99¾	−0¼	0	15.34
Swed. Exp. Cr. 14¾ 90	100	95¾	96¼	−0¼	0	10.63
Swed. Exp. Cr. 0.0 94	200	20¼	20¾	+0¼	0	14.71
Texas Eastern 15¾ 89...	80	100¾	101¼	−0¼	0	15.49
Union Carbide 14¾ 89	150	100¼	100¾	−0¼	−0¼	14.68
Wells Fargo Int. 15 87	75	99¾	100¼	−0¼	+0¼	14.85
World Bank 14¾ 07 ..	500	97¾	98¼	+0¼	+0½	14.81
World Bank 15¼ 88 ...	250	100⅞	101¼	−0¼	+0¼	14.87

Average price changes... On day −0¼ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9¾ 92	150	97¾	98¼	−0¼	−0¼	8.56
Australia 0¾ 91	200	103¾	104¼	+0¼	+0¼	8.70
Austria 8¾ 92	100	94¾	95¼	0	−0¼	9.15
Barclays O/S In. 8¾ 94	100	95¾	96¼	0	−0¼	8.93
Bowater Int. Fin. 8½ 89	50	96	96½	0	+0¼	9.25
Canada 8¾ 89	200	101¾	102¼	−0¼	−0¼	8.07
Comp. Tel. Esp. 10½ 92	100	100¼	101	0	0	10.35
Cred. Foncier 8¾ 02 ...	100	96¼	96¾	−0¼	0	9.32
Denmark 10¼ 92	100	102⅛	102⅞	+0¼	−0¼	0.57
EDF 9¾ 92	100	100¾	101¼	+0¼	+0¼	9.67
EIB 8¾ 92	100	94¼	95¼	+0¼	−0¼	9.18
Int.-Am. Dev. Bk. 9 92	150	97¼	97¾	0	0	0.37
Nacnl. Financiera 11 90	150	96⅞	97¾	−0¼	0	11.56
Norsk Hydro 8½ 92	100	98¼	98¾	0	+0¼	8.75
Philips Lamps 8½ 92	100	99¼	99¾	−0¼	+0¼	8.59
Philip Morris 8¼ 90 ...	100	101¼	101⅞	0	+0¼	7.86
Quebec 10¼ 92	150	102¼	103¼	−0¼	+0¼	9.83
Renfe 10 92	100	99⅞	100½	0	+0¼	9.97
SNCF 8¼ 92	100	96¾	96¾	−0¼	0	0.19
Tauernautobahn 9¾ 94...	50	102½	102¾	0	−0¼	9.51
Tenneco Int. 9 02	100	98¼	98¾	0	−0¼	9.25
World Bank 9½ 89	100	100¼	101¼	−0¼	−0¼	8.27
World Bank 8¾ 92	200	95¾	96¼	+0¼	0	9.13

Average price changes... On day 0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 6¾ 92	100	100½	100¾	−0¼	+0¼	6.16
Asian Dev. Bank 7 92...	100	101¼	101¾	+0¼	+1¼	6.78
Aucalsa 7¾ 92	80	99	99¾	+0¼	+0¼	7.85
Austrake 6¾ 94	100	105¼	105¾	+0¼	+0¼	5.85
BNP 6¾ 92	100	98¾	98¾	0	+0¼	7.00
Cae. Nat. l'Energie 7 92	100	100¼	100¾	−0¼	+0¼	5.88
CFE-Mexico 8¼ 92	90	94¾	95	−0¼	+2¼	9.05
Co-op. Denmark 8¼ 92	25	†105	105½	0	−0¼	7.58
Crown Zellerbach 6¾ 92	100	100¾	100¾	+0¼	+0¼	6.67
Europarat 7¾ 92	100	101¾	101½	+0¼	+0¼	7.04
Ind. Fund Finland 6¾ 92	30	98¾	99	+0¼	+0¼	5.51
Japan Dev. Bank 6 94...	100	100¼	100¾	−0¼	−0¼	5.95
Kobe City 6¾ 92	100	101¼	101½	+0¼	+0¼	5.93
Kommunlane 7¾ 92	35	100¼	101	−0¼	+0¼	7.13
Lonrho Int. Fin. 7½ 92	90	94⅞	95¼	0	+0¼	8.25
Mitsui OSK 6½ 92	100	98¼	98⅞	+0¼	+0¼	6.63
Nafinsa 8¾ 92	80	93¼	93¾	−0¼	+0¼	9.28
New Zealand 6 92	100	101¼	101½	−0¼	−0¼	5.81
Philip Morris 6¾ 92	100	104¼	105	+0¼	+0¼	5.94
Philip Morris 6¾ 94	100	102⅞	103¼	+0¼	−0¼	5.89
Renfe 7¾ 92	90	99½	100	+0¼	+0¼	7.78
Sekisui Pre. 5¾ 92 WW	70	103⅞	104¼	+0¼	+0¼	5.21
Soc. Lux. de Cnl. 8¾ 92	80	108	108½	0	+1¼	6.81
Svenska Handels. 6¾ 92	100	98¾	98⅞	−0¼	+0¼	8.83
Tiroler Wasser 6¼ 92	100	98¾	99¼	−0¼	−0¼	6.49
Vorarlberg Kraft 6¾ 92	50	102½	102¾	−0¼	+0¼	6.37

Average price changes... On day 0 on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
EIB 8¾ 02	15	97¾	98¼	0	−0¼	8.59
Int.-Amer. Dev. 8⅞ 91	15	101¼	102¼	0	0	8.56
Japan Airlines 7¾ 87...	9	95¾	96¼	0	−0¼	9.03
New Zealand 8¼ 87......	10	99¾	100¼	0	0	8.33
World Bank 8¾ 92	20	98⅛	99¼	+0¼	+0¼	8.48

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10 89 C$...	100	†98¾	99	0	+0¼	15.28
Can. Pac. S. 16¾ 89 C$	50	†98½	99	0	+0¼	10.63
Cr'd. Foncier 17¾ 89 C$	30	†99	99½	+0¼	+0¼	17.25
Gaz Metro. 17¾ 90 C$...	20	†97¾	98¾	−0½	−0¼	17.68
OKB 16¼ 88 C$	63	†98¾	99¾	0	+0¼	10.49
Q. Hyd. 16½ 89 (M) C$	50	†100¾	100¾	0	+0¼	18.32
Quebec Prov. 16½ 89 C$	50	†100¾	100¾	+0¼	+0¼	18.35
U. Bk. Nwy. 9½ 90 EUA	18	93½	95	0	−0¼	10.62
Amro Bank 10 87 Fl ...	150	100¾	101¼	+1¼	+0¼	9.74
Bk. Mees & H. 10 87 Fl	75	99⅞	99⅞	+0¼	+0¼	10.08
Eurofima 10¼ 89 Fl	50	100¼	101¼	0	−0¼	10.26
Ireland 10½ 87 Fl	75	98½	99	−0¼	−0¼	10.82
Phil. Lamps 10¾ 87 Fl...	100	101¼	101¾	−0¼	−0¼	0.81
World Bank 10 87 Fl ...	150	99½	99¾	−0¼	0	10.15
OKB 14 86 FFr	400	94¾	95¼	+0¼	+1¼	10.01
Solvay et C. 14¾ 86 FFr	200	94¾	95¾	+0¼	+1¼	10.65
Beneficial 14½ 90 £ (O)	20	90¾	91¼	0	+0⅞	15.33
BFCE 14¼ 87 £	30	101	101¼	−0¼	+0¼	14.06
BNP 13½ 91 £	15	96¾	97¼	+0¼	+0¼	14.03
CECA 13¼ 88 £	20	98¾	99¼	−0¼	+0⅞	13.71
Fin. Ex. Cred. 13¼ 86 £	15	98¾	99¾	0	−0¼	14.09
Gen. Elec. Co. 12¼ 88 £	50	97¾	98¼	+0¼	+1¼	12.87
Hiram Walker 14¾ 86 £	25	100¾	101¼	0	+0⅞	13.95
Norsk Hydro. 14½ 87 £	30	101¼	102	−0¼	+0¼	14.00
Privatbanken 14¼ 88 £	12	97¾	98¾	0	0	14.95
Quebec 15½ 87 £	35	102¼	103¼	0	+0¼	14.42
Reed (Nd) NV 18¾ 89 £	25	105¾	106⅞	0	0	15.08
Royal Trustco 14 86 £...	12	99⅞	100⅞	0	+0¼	13.78
SOR France 15¼ 92 £...	30	107¼	103	−0¼	+0¼	14.92
Swed. Ex. Cr. 13¼ 86 £	20	99¾	100¼	0	+0¼	13.72
Eurofima 10½ 87 LuxFr	500	96¾	97¼	0	+0¼	11.37
EIB 0¾ 88 LuxFr	600	92¾	93¼	0	0	11.48

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5⅞ 92	0¼	98¼	99	15/10	15.69	15.89
Bk. of Tokyo 0¼ 91 (O)	0¼	100	100¼	8/12	15¼	15.21
Bk. Nova Scotia 5¾ 93	0¼	99	99½	29/10	15¼	15.24
BFCE 5¾ 88	0¼	99¾	98¼	28/10	15	15.06
BFCE 5¾ 87	0¼	99¾	99⅞	27/1	14	14.05
Caisse Nat. Tele. 5¾ 90	0¼	99¾	99⅞	21/10	15¾	15.81
CCCE 5¼ 2002	0¼	99¾	99¾	11/12	15¾	15.55
CEPME 5¾ 92	0¼	99¾	100¼	10/12	15.44	15.44
Chemical NY 5¾ 94......	†0¼	99¾	100¼	23/8	16.69	16.69
CIBC 5¾ 94	0¼	†97¾	97¾	15/1	15¾	15.62
Cont. Illinois 5¾ 94 ...	†0¼	†97¾	97¾	24/9	16¾	16.82
Credit Agricole 5¾ 97...	0¼	99¾	99¾	24/9	15.44	15.52
Credit du Nord 5¾ 92...	0¼	99¾	100¼	23/12	16.81	16.83
Credit Lyonnais 5¾ 97...	0¼	99¾	100¼	1/10	16	10.00
Credit Lyonnais 5¾ 94...	0¼	100¼	100¾	1/1	16.94	16.85
Credit Nat. 5¾ 94	†0¼	98¾	99¼	9/9	14.69	14.86
Ireland 5¾ 89/94	0¼	†98¾	99	25/11	14¾	14.94
Kansallis Osake 5¾ 92	0¼	99¾	99⅞	0/11	15.31	15.37
Lloyds Eurofin 5¼ 93	50¼	99¾	100¼	29/10	17¼	17.13
Long Term Cred. 5¾ 92	0⅞	99¼	100	28/11	14¾	14.66
J. P. Morgan 5¾ 97 ...	50¼	98⅞	99¼	12/8	14¾	14.75
Nat. West. Fin. 5¾ 91...	50¼	100	100¼	15/1	15¼	15.21
New Zealand 5¾ 87	0¼	99¾	100¼	7/10	15.56	15.56
Nippon Credit 5¾ 90 ...	0¼	99¾	99¾	10/8	16.06	16.16
Offshore Mining 5¾ 91	0¼	99¾	100¼	7/12	14.19	14.21
PKbanken 5 91	0¼	100¼	100¾	17/12	15.81	15.75
Scotland Int. 5¾ 02......	0¼	98⅞	99¼	23/9	15¼	15.51
Sec. Pacific 5¾ 91	0¼	99¾	100¼	24/11	15	15.02
Societe Generale 5¾ 95	0¼	99¼	99¾	1/9	15.31	15.29
Standard Chart. 5¾ 91	0¼	99¼	99⅞	18/11	14⅞	14.95
Sweden 5¾ 89	0¼	99¼	99¾	26/8	15.31	15.41
Toronto Domin'n 5¾ 92	0¼	97¾	98¾	11/8	16¾	10.73

Average price changes .. On day −0¼ on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	81¼	83	−0¼	13.96
Bow Valley Inv. 8 95 ...	4/81	23.12	94¼	96¼	0	62.50
Bridgestone Tire 5½ 96	3/82	470	88⅞	89¾	+1½	7.98
Canon 6¾ 96	1/81	736.3	88¾	90¼	−0¼	6.33
Canon 7 97	7/82	748.2	98¾	100¼	0	3.93
Chugai Pharm. 7¾ 96 ...	7/82	709.0	108¼	109¾	+2¼	3.79
Fujitsu Fanuc 4¾ 96	10/81	5641	75¼	77¼	+1½	29.07
Furukawa Elec. 5¾ 96....	7/81	300	89	90⅞	−0½	−0.12
Hitachi Cable 5¾ 96......	2/82	515	80¼	81¼	−0¼	3.93
Hitachi Cred. Cpn. 5 96	7/81	1012	70¼	72¼	+1¼	12.59
Honda Motor 5½ 97......	3/82	841	83¼	84⅞	+0¼	10.57
Kawasaki 5¾ 96	3/81	729	63	64½	+0¼	28.19
Marui 0 96..................	7/81	846.4	95¼	96⅞	+0¼	6.82
Minolta Camera 5 96 ...	10/81	976.4	60	61½	+0⅞	42.59
Minorco 9¾ 07	5/82	8.18	†83	85	−0½	18.73
Murata 5¾ 96	7/81	2168	68¾	70¼	0	40.94
NKK 8⅞ 98.................	7/81	188	74⅞	76½	+0¼	−14.89
Nippon Electric 5¾ 97...	2/82	848	83⅞	85¼	0	0.93
Orient Finance 6¾ 97 ..	3/82	1205	86¼	87¼	+0¼	11.36
Sanyo Electric 5 96	10/81	652	21¼	62¼	+1¼	15.90
Sumitomo Elec. 5¼ 07 ..	3/82	577.3	84¼	85¼	+2¼	9.41
Sumitomo Met. 5¼ 96....	10/81	296.1	60¼	62¼	+0¼	49.81
Swiss Bk. Cpn. 6¾ 90 .	0/80	191	73	75	0	35.99
Kanshiroku 6¾ 88 OM	6/82	018	102¼	103¼	+0¼	18.94
Mitsubishi H. 5 89 OM	2/82	263	86¾	88⅛	−0½	34.31

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week......	5,215.1	8,968.2
Previous week	6,863.4	10,153.9
Other bonds		
Last week......	777.1	649.2
Previous week	705.1	435.2

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Bankers Trust International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on August 6

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

NORWAY

ITALY

AUSTRALIA

GERMANY

SINGAPORE

SOUTH AFRICA

Financial Rand US$0.75½ (Discount of 12%)

BRAZIL

SWEDEN

TEL AVIV

SWITZERLAND

AUSTRIA

BELGIUM/LUXEMBOURG

FRANCE

DENMARK

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

NY. S.E. ALL COMMON

MONTREAL

TORONTO Composite

NEW YORK ACTIVE STOCKS

(**) Saturday July 31: Japan Dow 7,199.94, TSE 550.94.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed u Unavailable.

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Companies and Markets

CURRENCIES, MONEY and GOLD

MONEY MARKETS

Putting off the inevitable

The scene was set last week for a further cut in clearing banks base rates. The Bank of England continued to trim its dealing rates and was more than generous on one occasion in meeting the market's daily needs. Euro-dollar rates were lower than the week before and Building Societies chopped 1½ points off their mortgage rates. But if the scene was set and the audience was waiting in anticipation, the leading actor failed to make a show and base rates stayed where they were after the previous week's cut at 11½ per cent. That which was likely last week would appear this week to be inevitable however and rates should settle at 11 per cent.

The reluctance of the clearing banks to move from what has been a very lucrative time is understandable and their ability to hold off until this week was probably helped to some extent later in the week when sterling started to nose-dive. Interbank rates on Friday showed a small defensive mark up at the longer end but still finished the week ½ to ⅝ of a point easier.

Meanwhile the discount houses continued to benefit, selling bills to the Bank at increasingly attractive rates. By coincidence or intention the authorities' guiding hand in the market proceeded through the week on a stop go basis. On Monday band 1 rates fell by 1/16 of a point and band 2-4 by ⅛ while Tuesday's intervention was made up entirely of sale and repurchase agreements. Market rates continued to ease however and Wednesday gave the Bank the opportunity to cut a further 1/16 of a point from band 1 and ⅛ from bands 2 and 3. Thursday saw no change in rates while true to form Friday brought a ⅛ of a point cut in band 4, although this was more a bringing into line move.

With Federal funds in the U.S. finishing the week around 11 per cent compared with nearer 12 per cent the week before and Euro-dollars weaker, there may be more room for manoeuvre once the dollar retreats from level held at the moment. However if UK base rates are destined to fall sometime later this year it may well be that the authorities will have to put more muscle into their nudges to overcome the reluctance of the clearing banks.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Aug. 6	change		Aug. 6	change
LONDON			**NEW YORK**		
Base rates	11½	Unch'd	Prime rates	15	−½
7 day interbank	11⅛-12⅛	−¼	Federal funds	11-11¼	−⅛
3 mth interbank	11-11	−⅝	3 mth Treasury Bills	9.98	−0.27
Treasury Bill Tender	11.7246	−0.3656	6 Mth. Treasury Bills	11.93	−0.16
Band 1 Bills	11½	−⅛	3 Mth. CD	11.60	−0.40
Band 2 Bills	11¼	−¼	**FRANKFURT**		
Band 3 Bills	11⅛	−¼	Lombard	9.0	Unch'd
3 Mth. Treasury Bills	10-10	[illegible]	One Mth. Interbank	9.23	−0.076
1 Mth. Bank Bills	11	[illegible]	Three month	9.30	−0.073
3 Mth. Bank Bills	10-10	[illegible]	**PARIS**		
TOKYO			Intervention Rate	14¼	−½
One month Bills	7.34375	Unch'd	1 Mth. Interbank	14	[illegible]
Three month Bills	7.28125	Unch'd	Three month	14	[illegible]
BRUSSELS			**MILAN**		
One month	14	[illegible]	One month	19	Unch'd
Three month	14	−¼	Three month	20	−⅛
AMSTERDAM			**DUBLIN**		
One month	8	[illegible]	One month	17	[illegible]
Three month	9	−⅛	Three month	17	[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. * Band 4 11.

BANK OF ENGLAND TREASURY BILL TENDER

	Aug. 6	July 30		Aug. 6	July 30
Bills on offer	£100m	£100m	Top accepted rate of discount	10.7494%	11.0904%
Total of applications	£431.86m	£525.42m	Average rate of discount	10.7846%	11.0802%
Total allocated	£100m	£100m	Average yield	11.02%	11.39%
Minimum accepted bid	£97.32	£97.23½	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	93%	69%			

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 12 5/8	offer 12 3/4
6 months U.S. dollars	
bid 13 5/8	offer 13 3/4

The fixing rates (Aug 6) are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Aug. 6 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7-13⅛	11⅞-12	—	—	11¼-12½	9-11½	—	—	—
2 days notice	—	—	11½-11⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11½-12⅛	11⅝	—	—	11¾-12¼	11½	—	—	—
One month	11-11	11¼-11	11½	12-11⅝	11½	11½	11	11¼	11	11½
Two months	11⅛ 11	11-11	—	11¾-11⅝	11	11-11½	10¾	11	10	11
Three months	11¼-11	11-11	11⅝	11½-11⅛	11	11-11½	10½-10⅝	10-10	10-10	11
Six months	11⅛-11	11-11	11⅝	10½-10⅛	11⅝	—	—	—	10½	11⅛
Nine months	11⅛ 11	11-11	—	11½-11⅛	11⅝	—	—	—	—	—
One year	11⅛ 11	11-11	11¼	11⅝-11	11⅝	—	—	—	—	—
Two years	—	—	11⅝	—	—	—	—	—	—	—

ECGD Fixed Rate Sterling Export Finance. Scheme IV. Averaged Reference Rate for interest period 19 July to 3 August 1982 (inclusive): 12.143 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 11¾ per cent; four years 12¼ per cent; five years 12½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 10¾ per cent; four months trade bills 11⅝ per cent.

Approximate selling rate for one month Treasury bills 11-11 1/16 per cent; two months 10¾-10 per cent and three months 10-10 per cent. Approximate selling rate for one month bank bills 11-11⅛ per cent; two months 10-10⅞ per cent and three months 10-10 per cent; one month trade bills 11 per cent; two months 11 per cent; three months 11 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from August 1, 1982. London and Scottish Clearing Bank Base Rates for lending 11½ per cent. London Clearing Bank Deposit Rates for sums at seven days notice 8½ per cent. Treasury Bills: Average tender rates of discount 10.7246 per cent. Certificates of Tax Deposit (Series 5) 11½ per cent from August 5 (plus an interest rate supplement of ½ per cent for the first month). Deposits withdrawn for cash 9½ per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Aug. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krona
Short term	11½-11¾	10¾-11	17½-18½	9⅛ 9¼	3½-4½	8¾-8⅞	14⅝-14¾	17½-18½	13½-14½	15⅛-14	6½-6¾	7⅝-8⅞
7 day's notice	11½-11¾	11-11¼	16⅛-17½	8⅛-8¼	2¾-3¼	8¾ 8⅞	14⅞-14¾	20⅝-23⅝	13½-15	14¼-14½	6¾-6⅞	10-11½
Month	11-11⅝	11½-11¾	13-16	8-9	3¼-3¼	8⅝-8	14½-14⅞	20⅝-21⅛	13½-14½	14⅛-14⅜	6⅞-7	11⅜-13⅛
Three months	11¼-11⅝	12-12	15-15	8-9	4-4	8-8	18-16⅝	20⅞-21⅛	13¾-14¾	14⅛-14⅝	7-7	13¾-13⅛
Six months	11-11	12-12	15-16	9-8	3⅝-3⅛	8-9	17⅛-17½	21½-23	14-15	14⅛ 14⅜	7⅝-7½	15⅝-16⅞
One Year	11⅜-11½	13-14	15-16	9⅜-9½	6½-3⅝	8-8	17⅞-18¼	21-21⅝	14-15	14⅛-14⅝	7-7	16⅝-18⅛

SDR linked deposits: one month 10-10 per cent; three months 11-11 per cent; six months 11⅞-12¼ per cent; one year 12-12½ per cent.

ECU linked deposits: one month 11-11 per cent; three months 11-12 per cent; six months 12-12 per cent; one year 12⅝-12¾ per cent.

Asian $ (closing rates in Singapore): one month 11-11 per cent; three months 12-12 per cent; six months 13½-13⅝ per cent; one year 13-13 per cent. Long-term Eurodollar: two years 14¾-15 per cent; three years 14⅞-15⅛ per cent; four years 15-15¼ per cent; five years 15⅝-15⅞ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit; one month 11.35-11.45 per cent; three months 11.90-12.00 per cent; six months 12.70-12.80 per cent; one year 13.10-13.30.

CURRENCIES AND GOLD

Dollar strong

The dollar executed a sharp turnaround last week. Having started off on a weaker note as Euro-dollars rates followed the downward shift in the U.S. discount rate, attitudes seemed to waver mid-week and by Friday the dollar was surging ahead, appearing to some to defy logic. As the dollar lost ground to start with, there was a marked reluctance to go short on the currency since previous sharp falls in the value of the dollar have tended to be followed by a sizeable upward correction. Last week was no exception and factors dismissed or ignored earlier in the week were pushed to the forefront in an effort to justify the dollar's performance. These included fears of higher rates in the U.S. as the administration pumps more and more paper into the system to meet its funding programme and uncertainty over the short term as to the direction of U.S. money supply.

True enough if this started to sail a little too close to upper projections, the authorities may wish to put on the brakes for a while. The other side of the coin accounting for interest rate differentials ie, key rates in Europe also gave some rise for concern. The fall in U.S. rates was the ideal incentive to help European rates ease but a widening of differentials now could lead to further upward pressure on the dollar. Already last week the dollar touched levels not seen since July's peaks which themselves represented 11-month highs against the Swiss franc and D-mark and record levels against the French franc and Italian lira as well as some Scandinavian currencies.

This Thursday sees a meeting of the Bundesbank central council where up until recently half a point was expected to vanish off the Lombard rate. Developments over the last few days have brought this assumption into question and the dollar's performance over the early part of this week will be crucial.

Sterling started to look a little shaky towards the end of the week but managed to recover its balance against Continental currencies while continuing to suffer along with all other currencies against the dollar.

Gold spent a rather uninteresting week, bobbing back and forwards mainly to the tune of the dollar and Euro-dollar rates. After closing at $342½ last week, this week it finished at $346-347.

THE DOLLAR SPOT AND FORWARD

Aug 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7040-1.7140	1.7120-1.7130	0.02-0.12c dis	−0.49	0.58-0.68dis	−1.47
Ireland†	1.3715-1.3785	1.3765-1.3785	0.75-0.65c pm	6.12	1.65-1.50 pm	4.55
Canada	1.2488-1.2520	1.2495-1.2505	0.46-0.49c dis	−4.56	0.95-0.99dis	−3.10
Nethlnd.	2.7620-2.7610	2.7570-2.7580	0.70-0.60c pm	2.83	2.50-2.40 pm	3.55
Belgium	47.65-47.92	47.76-47.78	8-10c dis	−2.26	17-20 dis	−1.55
Denmark	8.6950-8.7160	8.6950-8.7050	par-½ore dis	−0.17	1½-2 dis	−0.80
W. Ger.	2.4925-2.5100	2.4996-2.5005	0.60-0.55pf pm	2.76	2.39-2.34 pm	3.78
Portugal	85.50-86.00	85.75-86.00	60-180c dis	−15.37	120-410dis	−12.34
Spain	113.00-113.45	113.00-113.10	50-60c dis	−5.82	165-185 dis	−6.18
Italy	1,395-1,401½	1,395-1,397	10-11 lire dis	−9.03	28-30 dis	−8.31
Norway	6.7190-6.7410	6.7300-6.7400	1.60-2.00ore dis	−3.20	4.10-4.50dis	−2.55
France	6.9400-6.9750	6.9475-6.9525	1.85-2.10c dis	−3.41	6.20-6.70dis	−3.71
Sweden	6.1750-6.1920	6.1750-6.1850	1.25-1.45ore dis	−2.62	2.10-2.30dis	−1.42
Japan	259.85-261.85	260.35-260.45	1.10-1.02y pm	4.88	3.60-3.50 pm	5.45
Austria	17.51-17.62	17.55-17.56	5.60-4.40gro pm	3.41	18.50-13.50pm	3.87
Switz.	2.1230-2.1420	2.1295-2.1305	1.49-1.41c pm	8.17	4.28-4.20 pm	7.96

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Aug 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7040-1.7140	1.7120-1.7130	0.02-0.12c dis	−0.49	0.58-0.68dis	−1.47
Canada	2.1310-2.1440	2.1365-2.1375	0.83-0.93c dis	−4.94	2.40-2.50dis	−4.58
Nethlnd.	4.69-4.73	4.71½-4.72½	1⅛-⅞c pm	2.22	2¾-2⅝ pm	2.12
Belgium	81.30-82.00	81.75-81.85	22-32c dis	−3.96	68-78 dis	−3.57
Denmark	14.81-14.90	14.85-14.86	½-1½ore dis	−0.78	8½-9½ dis	−2.42
Ireland	1.2385-1.2465	1.2435-1.2445	0.62-0.75p dis	−6.61	1.83-2.01dis	−6.17
W. Ger.	4.25½-4.29	4.27½-4.28½	1⅛-⅞pf pm	2.45	2¾-2½ pm	2.34
Portugal	145.25-147.50	146.75-147.25	100-285c dis	−15.71	320-785dis	−14.76
Spain	193.25-194.25	193.75-194.00	90-113c dis	−6.34	355-380 dis	−7.58
Italy	2,382-2,395	2,389-2,391	17½-20½ lire dis	−9.54	55-58 dis	−9.45
Norway	11.48-11.54	11.52-11.53	3½-4¼ore dis	−4.03	11¾-12¾ dis	−4.25
France	11.85-11.93	11.89-11.90	2¾-4¼c dis	−3.78	15-18 dis	−3.21
Sweden	10.54-10.59	10.57-10.58	2¾-3¾ore dis	−3.62	8½-9½ dis	−3.40
Japan	443-449	445½-446½	1.80-1.60y pm	4.57	4.60-4.40 pm	4.03
Austria	29.90-30.15	30.05-30.10	6½-5½gro pm	2.78	20½-17 pm	2.49
Switz.	3.63-3.66	3.64½-3.65½	2¾-2½c pm	7.81	6¾-5¾ pm	6.44

Belgian rate is for convertible francs. Financial franc 86.60-86.70. Six-month forward dollar 1.92-2.02c dis, 12-month 3.90-4.05c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7125	1.7132	1.7188	1.7322	1.7523
D-Mark	4.28	4.2713	4.2560	4.2234	4.1665
French Franc	11.8950	11.9325	12.0500	12.2582	12.6578
Swiss Franc	3.65	3.6263	3.5913	3.5449	3.4548
Japanese Yen	446.0	444.3	441.3	437.7	429.6

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU August 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.1143	+0.32	+0.13	±1.3940
Danish Krone	8.23400	8.21139	−0.27	−0.46	±1.5004
German D-Mark	2.33379	2.36228	+1.22	+1.03	±1.0691
French Franc	6.61387	6.57524	−0.58	−0.77	±1.1369
Dutch Guilder	2.57971	2.60180	+0.86	+0.67	±1.0888
Irish Punt	0.691011	0.686835	−0.60	−0.79	±1.5501
Italian Lira	1350.27	1320.00	−2.24	−2.24	±1.6430

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

Aug. 6	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.1	−32.2
U.S. dollar	121.8	−12.5
Canadian dollar	88.6	−18.8
Austrian schilling	117.1	−26.4
Belgian franc	94.7	−2.0
Danish kroner	81.7	−14.9
Deutsche mark	124.6	−49.3
Swiss franc	144.5	−95.5
Guilder	116.0	−23.7
French franc	73.7	−20.2
Lira	53.7	−58.4
Yen	130.7	−24.6

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average)

CURRENCY RATES

August 6	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.632941	0.551799
U.S. $	11	1.08157	0.943024
Canadian $	15.20	*	1.12170
Austria Sch.	6¾	19.0594	16.6019
Belgian F	13½	51.7639	45.1143
Danish Kr.	11	9.41507	8.21138
D mark	7½	2.70858	2.36228
Guilder	8	2.98730	2.60180
French F.	9½	7.54395	6.57524
Lira	19	1514.47	1320.00
Yen	5½	280.235	246.035
Norwgn. Kr.	9	7.27464	6.35410
Spanish Pts.	8	122.544	106.854
Swedish Kr.	10	6.68845	5.82648
Swiss Fr.	5½	2.31077	2.01289
Greek Dr'ch	20½	76.5732	66.8032

* C$/SDR rate for August 5: 1.35725.

GOLD MARKETS

	Aug. 6		Aug 3	
Gold Bullion (fine ounce)				
Close	$346-347	(£202-202½)	$343-346	(£201¼-201¾)
Opening	$345-346	(£202-202½)	$331½-332½	(£202½-203)
Morning fixing	$346.125	(£202.626)	$348.23	(£201.068)
Afternoon fixing	$344.75	(£201.480)	$345.50	(£201.688)

Gold Coins Aug. 6					
Krugrnd	$356¾-356½	(£207¾-208¼)	King Sov	$87-88	(£50½-51⅛)
½ Krug	$183½-184½	(£107¼-107¾)	Victoria Sov	$87-89	(£50½-51⅛)
¼ Krug	$93½ 94½	(£54⅛-53¼)	French 20s	$75¼-77½	(£44-45¼)
1/10 Krug	$38-39	(£22¼-22¾)	50 pesos Mex.	$420⅛-424½	(£245⅛-247¾)
Mapleleaf	$356¾-358¾	(£207¾-208¼)	100 Cor. Aust	$335-338½	(£195⅛-197¾)
New Sov	$88½-83	(£48¼-48½)	$20 Eagles	$390-398	(£227¾-232⅛)

OTHER CURRENCIES

Aug 6	£	$		£ Note Rates
Argentina Peso	38,166†	22,300†	Austria	30.15-30.45
Australia Dollar	1.7350-1.7370	1.0130-1.0155	Belgium	86¼-87¼
Brazil Cruzeiro	317.48-318.48	185.33-186.26	Denmark	14.89-14.96
Finland Markka	8.1650-8.1780	4.7240-4.7660	France	11.85-11.95
Greek Drachma	118.522-121.944	69.75-70.25	Germany	4.26-4.30
Hong Kong Dollar	10.35-10.37½	6.064-6.074	Italy	2360-2400
Iran Rial	146.50*	*84.50	Japan	445-450
Kuwait Dinar (KD)	0.493-0.494	0.2887-0.2888	Netherlands	4.69½-4.74½
Luxembourg Fr.	81.75-81.85	47.76-47.78	Norway	11.45-11.55
Malaysia Dollar	4.0300-4.0450	2.3590-2.3640	Portugal	143-159
New Zealand Dlr.	2.3375-2.3425	1.3670-1.3690	Spain	187¼-196⅛
Saudi Arab. Riyal	5.8890-5.8875	3.4390-3.4400	Sweden	10.51-10.61
Singapore Dollar	3.6825-3.7075	2.1615-2.1665	Switzerland	3.63⅛-3.67½
Sth. African Rand	1.9815-1.9840	1.1570-1.1585	United States	1.70-1.72
U.A.E. Dirham	6.2800-6.2850	3.6715-3.6725	Yugoslavia	89-98

† Rate shown for Argentina is commercial. Financial rate: 66,685-66,725 against sterling 38,950-39,000 against dollar. * Selling rate.

EXCHANGE CROSS RATES

Aug. 6	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.713	4.280	446.0	11.895	3.680	4.720	2390.	2.137	81.80
U.S. Dollar	0.584	1.	2.499	260.4	6.946	2.131	2.756	1396.	1.248	47.77
Deutschemark	0.234	0.400	1.	104.2	2.779	0.853	1.103	558.4	0.499	19.11
Japanese Yen 1,000	2.242	3.840	9.596	1000.	26.67	8.184	10.58	5359.	4.791	183.4
French Franc 10	0.841	1.440	3.598	374.9	10.	3.069	3.958	2009.	1.797	68.77
Swiss Franc	0.274	0.469	1.173	122.2	3.259	1.	1.293	654.8	0.585	22.41
Dutch Guilder	0.212	0.363	0.907	94.49	2.520	0.773	1.	506.4	0.453	17.33
Italian Lira 1,000	0.418	0.717	1.791	186.6	4.977	1.527	1.975	1000.	0.894	34.23
Canadian Dollar	0.468	0.801	2.003	208.7	5.566	1.708	2.209	1118.	1.	38.28
Belgian Franc 100	1.222	2.094	5.239	545.2	14.54	4.462	5.770	2922.	2.612	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

INSURANCES

Abbey Life Assurance Co. Ltd. (z)
1-3 St. Paul's Churchyard, EC4P 4DX. 01-248 9111

Property Fund	229.0	[illegible]		—
Equity Fund	51.4	[illegible]	-0.3	—
Property Acc.	268.2	[illegible]		—
Equity Acc.	61.0	[illegible]	-0.2	—
Selective Fund	151.4	[illegible]	-0.4	—
Money Fund	168.5	177.[illegible]		—
Convertible Fund	180.7	190.[illegible]		—
Prop. Fd. Ser. 4	211.3	[illegible]		—
Equity Ser. 4	57.3	[illegible]	-0.2	—
Man. Ser. 4	204.7	215.[illegible]	-0.7	—
Money Ser. 4	152.7	[illegible]		—
Conv. Ser. 4	152.9	[illegible]		—
Fixed Int. Fd. Ser. 4	123.6	130.[illegible]	-0.9	—
American Ser. 4	107.9	[illegible]	+1.8	—
High Inc. Ser. 4	116.3	122.[illegible]		—
Indexed Inv. Series 4	98.2	103.[illegible]		—
Pension Property	320.5	[illegible]		—
Pension Equity	293.3	[illegible]	-1.4	—
Pension Selective	153.1	[illegible]	-0.5	—
Pension Managed	303.4	[illegible]	-1.2	—
Pension Security	225.9	237.[illegible]		—
Pension Fixed Int.	120.7	127.1	-0.8	—
Pension Indexed Inv.	98.5	[illegible]	+1.3	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	323.6	340.6	-0.9	—
Fixed Int. Acc.	204.0	214.6	-0.7	—
Gtd. Money Fd. Ac.	157.8	166.1		—
Intl. Man. Fd. Acm.	138.2	145.4	-0.9	—
Intl. Fxd. Int. Fd.	111.3	117.2	+0.3	—
Prop. Fd. Acc.	159.8	168.2		—
M'ple Inv. Acc.	251.7	264.9	-0.8	—
Equity Pen.Fd.Acc.	445.6	469.0	-1.6	—
Fixed I.Pen.Acc.	333.6	351.1	-1.5	—
G'td.Mon.Pen.Acc.	220.0	231.6		—
Intl.Mn.PnFdAcc.	160.0	168.4	-1.0	—
Prop.Pen.Acc.	211.4	222.5		—
M'ple Inv.Pen.Acc.	367.1	386.4	-1.3	—

AMEV Life Assurance Ltd.

Crown Life—Continued

St. George Mangd. Fd.	110.9	116.[illegible]		—
Uncs & Gen.Fd.	116.8	[illegible]		—
Sage Fd.	86.1	[illegible]		—
Heritage Fd.	101.3	[illegible]		—
DBS Managed	106.4	[illegible]		—
Crown. Brit. Inv. A		217.2		—
Pens. Mixed. Fd.	151.5	156.[illegible]		—
Pens. Mang'd. Acc.	112.8	[illegible]		—
Pens. Mang'd. Init.	108.3	[illegible]		—
Pens. Equity Acc.	102.0	107.[illegible]		—
Pens. Equity Init.	97.6	102.[illegible]		—
Pens. Fxd. Int. Acc.	111.9	[illegible]		—
Pens. Fxd. Int. Init.	107.4	[illegible]		—
Pens. Money Acc.	110.2	[illegible]		—
Pens. Money Init.	105.6	[illegible]		—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq, EC3N 4DJ 488 2323

Growth Prop Aug 3	103.7	114.1		—
Managed Pen.July 14.	122.6	116.47		—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	80.1	83.1	-1.3	6.14

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	189.3	199.2	-2.6	—
Higher Inc. Fund	127.3	133.9	-1.3	—
Property Fund	193.3	203.4		—
Fixed Interest Fund	148.6	156.4	-0.9	—
Index Linked Secs Fnd.	94.6	99.5	+0.6	—
Gtd. Deposit Fund	134.7	143.8		—
Nth. America Fund	104.5	109.7		—
Far East Fund	79.8	84.0	-0.3	—
International Fund	95.7	100.7	-0.4	—
Mixed Fund	169.6	178.5	-1.2	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

Ind. Pen. Equity	186.2	195.9		—
Ind. Pen. Property	145.6	153.2		—
Ind. Pen. Fixed Int.	140.5	148.3		—
Ind. Pen. Indx Lk. Sts.	102.8	108.2		—
Ind. Pen. Overseas	146.0	153.6		—
Ind. Pen. Cash	136.9	144.1		—

INSURANCE & OVERSEAS MANAGED FUNDS

OFFSHORE AND OVERSEAS

Northgate Unit Tst. Mngrs. (Jersey)
P.O. Box 82, St. Helier, Jersey. 0534 73741.

Pacific Fd July 28	$9.41	10.05		—

Pacific Basin Fund
10a Boulevard Royal, Luxembourg.

NAV		$14.05	-0.20	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Phoenix International
PO Box 77, St. Peter Port, Guern. 0481 26742.

Inter Dollar Fund	3.03	3.27	-0.02	—
Far East Fund	2.31	2.49	-0.05	—
Intl. Currency Fund	$1.60	1.73	-0.03	—
Dollar Fxd. Int. Fund	$2.84	3.06	+0.01	—
Stgr. Exempt Gilt Fd.	1.79	1.94	+0.03	—

Providence Capitol International Ltd.
PO Box 121, St Peter Port, Guernsey 0481 26726/9

UK Stockmarket	£0.957	1.029	-0.030	—
Intl. Stockmarket	$0.842	0.905	-0.030	—
World Technology	$0.849	0.913	+0.004	—
N. Am. Stockmarket	$0.855	0.920	-0.003	—
Far East	$0.820	0.882	-0.008	—
UK Fixed Interest	£1.001	1.076	+0.005	—
Intl. Fixed Int.	$0.939	1.009	+0.005	—
Intl. Currency	$0.929	0.998	+0.005	—
Intl. Money Market	$0.962	1.034	+0.003	—
U.K. Money Market	£0.949	1.019	+0.002	—
Sclp. Mangd. Fd.	£0.945	1.016		—
Dollar Mangd. Fd.	$0.869	0.934	+0.005	—

Savings Target Rate $12.0/£11.
Prices on Aug 4. Next dealing Aug 11.

Wardley Bond Trust	$9.32	9.70		9.38
Wardley Japan Trust	$14.41	15.07		1.19

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd		$9.96	-0.08	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St. George's St., Douglas IoM 0624 25015

Wren Com. Fund	94.3	95.5		6.60
Chinese Fund	76.3	79.4		9.30
Precious Metal Fund.	141.9	147.5		8.30
Vanguard Cmdy. Fd.	40.8	41.8		2.26
Financial Futures Fd.	108.4	113.0		—
Wren Intl. Fnd.	$0.876	0.912		—

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
22Mar	22S	Exch. 9¼pc 1982	99$\frac{31}{32}$	15.2	9.28	11.29
5Jul	5Ja	Exch. 8¾pc 1983	99⅛	1.6	8.81	10.17
21Aug	21F	Exch. 3pc 1983	96½xd	15.6	3.10	9.34
17S	17Mar	Treasury 12pc 1983‡‡	100⅝	8.2	11.93	10.81
18Ja	18Jul	Treasury 9¼pc '83	98½	11.6	9.39	10.94
22May	22N	Exch. 13½pc '83	102⅜	15.4	13.19	11.35
12Jun	12D	Exch. 10pc 1983	99	6.5	10.10	10.75
15Jul	15Ja	Funding 5½pc '82-84‡‡	96¼	8.6	5.68	7.91
20Aug	20F	Exch. 11¼pc 1984	100⅝xd	14.7	11.18	10.77
22N	22May	Exchequer 14pc 1984	104	15.4	13.46	11.40
19D	19Jun	Exch. 3pc 1984	92	15.5	3.26	7.69
26Mar	26S	Treasury 12pc 1984	101⅛	17.2	11.87	11.33
22Aug	22F	Treasury 15pc 1985	107xd	16.7	14.02	11.72
22S	22Mar	Exch. 12pc Cnv. '85	101⅛	15.4	11.87	11.46
21N	21My	Treasury 3pc 1985	87	14.4	3.45	8.32
15Jan	15Jul	Treasury 13½pc 1985	99½	8.6	13.56	11.69
22May	22N	Exch. 12¾pc 1985	101	15.4	12.73	11.83
25 Aug.	25F	Exch. 11¾pc '86	100¼xd	19.7	11.72	13.65
19N	19May	Treasury 3pc 1986	84½	15.4	3.55	7.81
12D	12Jun	Treasury 12pc '86	100⅜	6.5	11.96	11.85
10Ja	10Jul	Treasury 8¼pc '84-86‡‡	94¾	3.6	8.97	10.14
14Ja	14Jn	Treas. 12¼pc '86 Cnv.	101¼	—	12.10	11.84
29Apr	29Oct	Exch. 14pc 1986	106⅜	—	13.16	12.00
22Jul	22Jan	Exch. 13¼pc 1987	104¼	15.6	12.71	11.95
1N	1May	Funding 6½pc '85-87‡‡	88½	25.3	7.34	9.57
14Ja	14Jul	Treasury 3pc 1987	81	—	3.70	7.70

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
3 May	3N	Treas. 12pc 1987	101⅞	29.3	12.16	12.32
5 May		Treas 12pc 1987 'A'	99½	12.08	12.13	
26Jul	26Ja	Treasury 7¾pc '85-88‡‡	88⅝	21.6	8.77	10.61
1Ja	1Jul	Transport 3pc '78-88	73⅝	25.5	4.09	8.92
22Aug.	22F	Treasury 13½pc 1989	93⅜xd	16.7	12.26	11.93
15Ap	15Oct	Treasury 5pc '86-89	74¼	9.3	6.88	10.50
15Jul.	15Ja.	Treasury 13pc 1990‡‡	101¼	8.6	11.95	11.90
22Sept	22Mar	Exch. 12½pc 1990	102	15.2	12.86	13.07
15O	15Jun	Treasury 8¼pc '87-90‡‡	84	10.5	9.97	11.65
10Jul	10Ja	Treasury 11¾pc 1991	94¾	3.6	12.68	13.08
5Oct.	5Ap.	Funding 5¾pc '87-91‡‡	71⅛	13	8.32	11.45
25Ap.	25Oct.	Exch. 11pc 1991	92½	19.3	12.32	12.93
22Jul.	22Ja.	Treasury 12¾pc '92‡‡	99⅛	15.6	11.94	13.01
21Aug.	21Fb.	Treasury 10pc 1992	84¾xd	15.7	11.75	11.76
25Fb.	25Aug.	Exch. 12¼pc '92	94¾xd	15.6	12.86	13.13
22Mar.	22S	Exchequer 13½pc '92	106⅝	15.2	13.31	13.21

Over Fifteen Years

Undated

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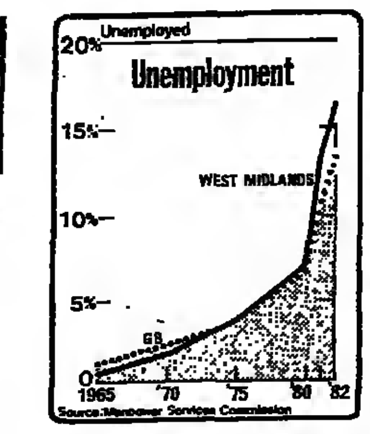
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Monday August 9 1982

Scorn at 'upturn' joined by alarm

West Midlands: REGION IN RECESSION

Arthur Smith sets the scene in the first of a series on the crumbling industrial heartland



INDUSTRY IN the West Midlands, where jobs this year bave disappeared at the rate of 11,000 a month, leads tbe campaign for government action to prevent more cuts in the manufacturing base.

Mr Cliff Walliker, chairman of West Midlands region of the Confederation of British Industry, said last night: "Jobs are going on a scale and at a pace that makes public employment-creation schemes and any successes achieved by small companies almost irrelevant."

His council was some months ago the first to pour scorn on Whitehall and Westminster talks of a possible upturn in the economy. Midlands industrialists for most of the year bave been warning that orders remain low, cash-flow is deteriorating and redundancies will continue.

Now there is new concern of more cuts. Car-industry sales this month, with introduction of the Y registration-mark, will be crucial to the pace of activity in a region where about one in six of manufacturing jobs are directly dependent on the automotive sector.

Automotive Products has just said 900 jobs must be axed and 7,500 workers put on short-time because of continuing weak demand. Talbot is shedding 450 jobs to end short-time working. There is concern BL's efforts to cut costs could force components-orders overseas.

Any redundanciea would follow a dramatic contraction of activities by the main assemblers in the region, BL, Talbot and Massey-Ferguson.

Most dependent component-suppliers concentrated bere bave cut workforces by at least 20 per cent.

Manpower Services Commission figures show the West Midlands, traditionally the industrial heartland, bas suffered disproportionately from recession. More than one in five manufacturing jobs was swept away in the past six years. Industrial employment slumped from 1.02m in 1975 to 786,000 only by last year.

It is the pace of the decline over the past two years, however, that bas spread alarm. Unemployment has climbed to 16.2 per cent, well above the national average and comparable with traditionally depressed regions.

A series of company closures, rationalisation and redundancy programmes, involving names such as GKN, Lucas, AE, Rubery Owen, Wedgwood and Royal Doulton, lost 180,000 jobs in the 12 months to June 1981. Another 39,000 jobs went in the following six months. Cuts were continuing at the rate of about 11,000 a month this year.

The shake-out has spread well beyond the vehicle, engineering and metal-bashing industries. Workers in the ceramics industry dropped from 50,000 to 21,000. Even service-sector employment, wbich had sbown steady growth, dipped after 1980.

West Midiands County Council, wbich set up an enterprise board to balt decline, forecasts that if trends continue the present post-war record 17 per cent unemployment will climb beyond 20 per cent within two years.

Mr Terry Pitt, senior economic adviser, said yesterday: "The region went into a nose-dive in 1980 and there are no signs of it coming out. The only figures we can project are of an upward climb in unemployment. The region's basic industries bave been chopped away and as yet there are no new industries to take their place."

Mr Walliker, for the CBI, said the low level of pay settlements underlined there was no sign of recovery in the region. Many deals in the region were being struck at about the 2½ to 3 per cent level. Many employees had foregone increases.

Union membership dropped sharply. Transport and General Workers' Union membership in the region has fallen by 105,000 to 282,000.

Finances as well as the merits of a dispute are becoming important in determining whether official backing is given.

The growth of unemployment and the series of reverses delivered to the shop-steward movement, particularly at BL, undermined the strength of unions in the West Midlands, once noted for their militancy.

● The decline in the civil engineering industry is accelerating, particularly in the *Midlands and North West, with* all except smaller companies showing a drop in orders compared with three months ago, according to a report published yesterday by the Federation of Civil Engineering Contractors. *It says larger companies have* been affected particularly since its April survey.

Government hardliners defend economic strategy

By Margaret Van Hattem

THE RIFT between the Government and industry on what they consider is the true state of the economy is putting the Prime Minister's closest supporters in the Cabinet increasingly on the defensive.

Economic hardliners in the Cabinet rallied at the weekend to support the Chancellor Sir Geoffrey Howe in his determination not to introduce a mini-budget. This comes amid signs that the Confederation of British Industry is likely to follow up its gloomy economic report, published last week, with concerted pressure for reflationary measures in the autumn.

However, even the staunchest supporters of the Chancellor's economic strategy appear to be taking care to tone down their predictions and to avoid striking a note of false optimism.

Mr Norman Tebbit, the Employment Secretary, criticised the "doom-mongers" who saw little hope of a decline in unemployment. The pessimists had been wrong about the Government's ability to reduce inflation and would be just as wrong about unemployment, he said at the week-end.

He avoided carefully any predictions about when unemployment would start to fall.

"New technology and working practices mean that many old jobs are disappearing, but new ones will take their place." he said. "This has always happened in the past and will be just as true in the future."

He gave no indication of when or where be expected this to happen, turning instead to attack "*shortsighted militant* union leaders" who were "perfectly happy to pursue their own selfish political ambitions by trading on the unemployed."

Mr Tebbit's attack on trade unionists comes as the *Government braces* itself for a new round in the pay dispute in the health services. Much hangs on whether the Royal College of Nursing, due to vote on August 26, accepts what the Government insists is its final offer.

The nurses' refusal of an earlier offer appears to have taken the Government by surprise and the possibility of a second refusal, which could bring chaos to the health services, might also strain existing tensions in the Cabinet.

Both the Prime Minister and Sir Geoffrey Howe are determined that the special cabinet session on September 9 to discuss government spending should not turn into a "wet" versus "dry" clash over the need for a mini-budget to boost the economy.

Mr John Biffen, leader of the Commons, and Mr Leon Brittan, Chief Secretary to the Treasury, both made speeches at the weekend intended evidently to pre-empt Cabinet re-runs of earlier battles.

THE LEX COLUMN

The reshaping of Turner & Newall

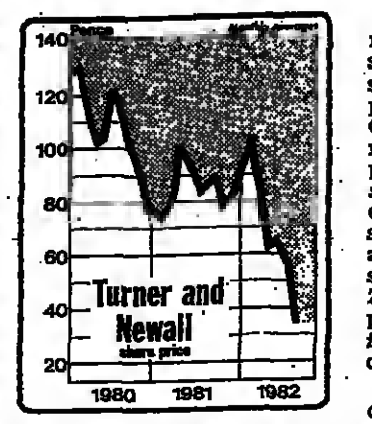
Turner & Newall has been *the most spectacular casualty of* the equity market's latest bout of jitters about heavy manufacturing shares. On one day last week when the market as a whole was rising the £1 nominal shares dropped from 43p to 32p —*a fall which looked like the* anticipation of terminal suspension. A statement from the company designed to inject a sense of reality, if not reassurance, provoked a rally, but by Friday evening the price was back down to 34p, and the market capitalisation to £36.9m.

After a long period trading near to par, the shares began to slide after the preliminary statement in March—a bitter disappointment to a market which was beginning to view T & N as a recovery stock. The last quarter of 1981 bad proved catastrophic, the four-point increase in UK base rates leaving the company's volume projections, not for the first time, hopelessly over-optimistic.

On top of this, there were severe working capital problems in Zimbabwe, where the mines were unable to cut manning levels and output in line with the decline in world demand for asbestos fibre. Hunt Chemicals, the showpiece of the group's unhappy acquisition programme, brought out some lousy last quarter figures.

The directors talked about a bottoming out of demand, but the passing of the final dividend suggested less than wholehearted confidence in this judgment, and considerable worries about cash. Partly as a result of Zimbabwe, net debt had risen by 48 per cent, and the group debt: equity ratio was up 15 points to 51 per cent. On the day of the figures the shares closed at 77p; what bas happened since to justify a further 55 per cent fall in the price? Part of the trouble stems from the renewed concern about future claims against asbestos-related disease in the light of a sensational television programme. The provisions for known cases are rising, and it seems reasonable to expect charges of up to one per cent of sales over the next decade. In addition, there is an utterly unknown contingent liability.

But asbestos disease is not a new story. It has also seemed likely—and the company confirmed this in last week's statement—that asbestos demand has once again been disappointing. Overall sales volume in the UK is up by a mere one per cent on the first half of 1981, and prices of some products—brake linings, for example—are below the levels of last summer, as cost reductions are being forcibly shared with the customer. Below-budget volume means below-budget cash, while the Zimbabwe mines are continuing to build stocks. Last year's extraordinary debits have been spent as cash in the first half of 1982.



So the half-year balance sheet is not going to be a pretty sight, particularly since lower profits from Zimbabwe and a higher interest charge will have dragged the group into a small loss at the pre-tax level—although trading profits in the UK and U.S. may have been marginally ahead. Even with somewhat lower levels of interest rates (T & N has £70m of floating rate sterling debt), the group will do well to be much in profit pre-tax for the year as a whole.

A worthwhile recovery, of course, could change all that. The group has now pushed its overheads—including labour—to a level at which it is already beginning to get a reduction in unit costs. That has meant slashing the UK labour force by 35 per cent. And the preliminary attack on the high level of gearing—through asset disposals—will bear fruit in the autumn when T & N receives part-payment for its £25m sale of the brand new Newton Aycliffe PVC resin plant to Norsk Hydro.

The disposal programme does not stop there; a couple more sales, at least one of them substantial, may now be in the pipeline — but not Hunt Chemical, which T & N is determined to hold on to. On a pro-forma basis (not all the sales may take place this year) end-1982 gearing could be something under 70 per cent, a ratio which includes in shareholders' funds £100m of Zimbabwean net assets. Stripping Zimbabwe out again, the figure might be nearer 90 per cent.

That leaves T & N in a tight corner, but it is not an impossible position, provided that the relentless cash drain stops there (quite apart from any need to finance an upturn). In the three-year period 1979-81, £70m of asset disposals could not stop T & N's net borrowings from rising £82m.

The pressure on the balance sheet should now be starting to ease, and the breakeven point of the UK businesses has been drastically lowered. It is not quite clear how much more management action can achieve if the upturn keeps on failing to come, and the group is certainly in no position to withstand a calamity. But with a modicum of good luck—not its strongest suit in the last few years—T & N should begin to trade out of the trough next year.

It will be extremely lean, but not noticeably fit — highly-geared and over-dependent on sluggish and often cash-absorbing businesses. To return to a proper state of corporate health could take years—something which is implicitly recognised by the absence of any take-over approach, however tentative, for a company now standing in the stock market at roughly 15 per cent of book net worth.

To suggest that T & N shares should simply be bought for recovery would be to repeat the mistake of naive optimism that the company's management has made so many times in the past few years. But there is no doubt that the market is currently concentrating on the risks to the exclusion of the possible rewards. A larger and flabbier business, also called Turner & Newall, earned 31p a share in 1977.

U.S. bank regulators rescue Abilene

By David Lascelles in New York

U.S. BANK regulators have bad to rescue another troubled energy-lending bank in the southern states.

The Federal Deposit Insurance Corporation announced at the end of last week it had arranged for the Abilene National Bank in Texas to be taken over by the Mercantile Texas Corporation, one of the state's largest banks.

The rescue comes only a month after the collapse of Penn Square Bank in Oklaboma, which caused buge losses. The Abilene banks is about the same size, but its problems are expected to be less damaging.

Abilene, unlike Penn Square, did not sell buge amounts of loans to other banks. Its rescue means it will setay in business and uninsured deposits will be secure.

The bank had assets of about $500m (£292m) and waa a large lender to local energy companies. The quality of its loan portfolio deteriorated with the decline in oil prices.

Its problems increased when *Penn Square collapsed*, and highlighted the strains that energy-lending banks were suffering. Abilene had a serious run on deposits wbich it was unable to staunch even though it took out newspaper advertisements to reassure depositors that all was well. The Office of the Comptroller of the Currency, which examines U.S. banks, also took the unusual step of announcing publicly that it believed the bank to be sound.

The deterioration continued, bowever, forcing regulators to arrange the rescue.

The FDIC will deposit $50m with Abilene at below-market rates for five years to facilitate the merger with Mercantile Texas.

UK assesses new oil platform

BY RAY DAFTER, ENERGY EDITOR

NORTH SEA oil companies are *evaluating a British-designed* oil production platform whicb could provide an answer to the development of small, marginally-economic fields.

Mr Alex Copson, the platform's designer, claimed at the week-end that an *integrated* production, storage and transportation system could be built for $450m (£260m), about balf the cost of a conventional fixed steel platform.

Among the companies looking at the concept is *Phillips* Petroleum, which is seeking cost-effective ways to exploit its complex of Thelma, Tiffany and Toni fields in block 16/17, about 140 miles north-east of Peterbead, Scotland.

Britoil, the state exploration and production corporation, wbich is about to develop the Clyde Field at a cost of almost £1bn, is also to study the system, it is understood.

In the next few weeks a new company, Interig, is to be establisbed to design, build, sell and lease the floating platform. *About £5m is being* raised from the City and international engineering companies, although the majority interest in Interig will be beld by the present backers of the project including oil producer Mr Algy Cluff, *Mr Copson*, and entrepreneur Mr Richard King.

Mr Copson—a director of Cluff Copson Designs, the company involved in the initial development—said that unlike other esmi-submersible floating production systems his platform could continue operations in the worst weather and rougbest seas. It could also re-inject notural gas into oil fields and operate in water depths of more than 2,000 feet.

Mr Copson, a former deep-sea diver, said the idea came to him wbile working in the North Sea. Operations on the semi-submersible drilling rig bad been suspended because of bad weather.

"I thought there must be a better way. What was needed *was a transition* from the oil industry's version of a bi-plane to something like a jump jet."

Originally Mr Copson, 31, tried to obtain financial backing from the City. "I encountered lack of interest, lethargy—you *name it*," be said. Mr Cluff came to his rescue. So far about £250,000 has been spent on designs and tank testing models.

Mr Copson is proposing a novel way of repaying Mr Cluff —if the concept ever becomes a *commercial* reality. He wants to make sure tbat the Cluff Oil company is provided with an equity stake in any future field development incorporating the production design. This, be says, will be a condition of the platform *sale or leasing* arrangement.

No such restrictions are planned for North Sea fields developed under existing licences, bowever. Neither will be be seeking special concessions from any overseas customers.

Steel pact

Continued from Page 1

been informed officially by tbe U.S. Administration that tbe agreement bad been rejected by the U.S. steel industry.

In a statement issued through the EEC office in Washington, Viscount Davignon appeared to be trying to give the Reagan Administration more time to try to persuade the U.S. industry to accept a deal which would limit European exports of 11 ateel products to 5.754 per cent of the U.S. market.

In return the deal calls on the U.S. industry to drop legal action against EEC producers on grounds of unfair trading practices. U.S. Steel made it clear, however, that it was not prepared to do so on those terms.

The Brussels Commisaion is thought to bave made urgent representations over the week-end to tbe U.S. Commerce Department to establish whether Wasbington views U.S. Steel'a *attitude* to the pact as *marking* the end of tbe steel peace bid.

Brussela is now waiting to hear whether the Reagan Administration will use maximum political pressure to make tha American steel industry accept the deal.

The problem will be further complicated today by tha U.S. Commerce Department's scbeduled findings on an array of anti-dumping cases that bave been brought against EEC steel producers by their U.S. competitors as a complement to the anti-subsidies suits that triggered Brussels' attempts to strike a "global" EEC-U.S. steel trade deal.

If, as is likely, the department finds that European *exports have* been subsidised—and if a separate ruling in September finds that the U.S. industry has suffered material injury as a result—beavy duties would officially be levied on European steel shipments to the U.S.

At the end of last week's negotiations, the EEC delegation was assured by Mr Malcolm Baldrige, the U.S. Commerce Secretary, that the Administration would exert maximum political pressure on the U.S. industry to go along with the deal.

Airlines move on 'bucket shops'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

GOVERNMENT aviation authorities throughout the world are to be urged to impoae sanctions on airlines involved in wbat the International Air Transport Association calls "illegal bucket abop" ticket deals, in wbich *tickets are sold at prices substantially* below official ones.

Recognising that millions of travellers benefit from bucket ahops, however, the association, through its Fare Deal Monitoring Group, recommends that a range of bona fide discount fares could be introduced by the airlines, with full government approvals.

These moves, announced over the week-end, follow the recent meeting of *IATA airlines in* Geneva, at which it was agreed to take atrong measures to try to reduce, if not eliminate, ticket discounting, whicb the airlines estimate is costing them $1bn a year in lost revenues.

The Fare Deal Monitoring Group will work in conjunction with IATA's regional fares co-ordinating conferences to belp eliminate bucket abops, by *proposing to introduce discount* fares where market conditions require them.

IATA has 117 members througbout the world, but there are many airlines that are not members and wbo cannot be found by fare-fixing rules. Non-member airlines often sell tickets at cut rates (with the tacit approval of their governments) in competition with *IATA airlines, forcing the latter* to follow sult.

Mr Ian Ritchie, chairman of the Fare Deal Monitoring Group, and external affairs director of British Caledonian Airways, said at the weekend that illegal ticket sales through unlicensed bucketshops was "a blight on the industry.

"Against the background of an overall loss of $1.6bn on international scheduled services in 1982, the persistence of many airlines in selling cut-price tickets illegally reflects the logic of the lunatic asylum," be said.

Mr Ritchie said that airlines throughout the world bad already introduced a wide range of discount fares and improved their aervices in recent years, "all above board and available througb safe, licensed travel agents."

He said that one of the Fare Deal Monitoring Group's immediate tasks was to provide guidance on the development of the proposed new discount fares through IATA's own fares-fixing conferences.

Members of the group would work with those conferences in reviewing world airline market conditions on a route-by-route basis and, where necessary, propose new discount rates for approval by the respective governments.

"As an airline group, we shall now be meeting with government bodies to achieve agreement on moves to end market malpractices, in the best, long-term interests of the air travel consumer, the bona fide licensed travel agent and the airline industry," Mr Ritchie said.

The main "malpractices" which the group intends to fight include illegal fare cutting (offering tickets below officially approved rates), paying excessive commissions to licensed travel agents, and paying commissions to non-licensed agents.

The member-airlines of the Fare Deal Monitoring Group are British Airways, British Caledonian, Aerolineas Argentinas, Air Afrique, Air Canada, Air France, Japan Airlines, KLM, Middle East Airlines, Pan American and Qantas.

Continued from Page 1

Pertini

of Confindustria, the private employers' association, warned yesterday that the political crisis *would only add to the dangers* of a slump in outpu tand a further rise in unemployment when activtiy resumed in September.

The crisis bad cut sbort the Government's programme to restructive Italy's public finances, be said.

Hopes of measures to revive industry bad vanished. But it was essential the politicians tackled the country'a underlying economic problems at once, he added.

In the meantime calculations are already under way for a possibel election date. The dates most widely canvassed are the last Sunday in October, and either of the first two in November.

The Socialists appear to be taking the line that only agreement between the parties on measures to restore anthority to governments, in particular by *abolishing secret parliamentary* votes of the type which proved fatal last week to Sig Spadolini, will make them relent from forcing a dissolution.

Weather

UK TODAY

CLOUDY, becoming bright.

Midlands, E. and Cent. N. England, S. Wales

Sunny, cloud later. Max. 22C (72F).

Rest of England, N. Wales, N. Ireland

Dull, becoming sunny, with showers. Max. 22C (72F).

Scotland

Dry and sunny, rain in places. Max. 19C (66F).

Outlook: Sunny with showers.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	T	25	77	London	S	23	73
Algiers	S	28	82	L. Ang.†	C	19	68
Amsdm.	C	20	68	Luxmbg.	C	20	68
Athens	F	29	84	Luxor	S	40	104
Bahrain		—	—	Madrid	S	26	79
Barcina.	F	26	79	Majorca	C	28	82
Beirut		—	—	Malaga	S	26	79
Belfast	C	18	64	Malta		—	—
Belgrd.	T	20	68	M'chstr	C	20	68
Berlin	S	29	84	Melbne.	S	19	68
Biarritz	F	22	72	Mx. C.†		—	—
Bmghm.	C	21	70	Miami†	F	28	82
Blackpl.	C	17	63	Milan	S	23	73
Bordx.	F	22	72	Montrl.	F	20	68
Boulgn.	C	18	64	Moscow	S	19	66
Bristol	C	19	66	Munich	F	20	68
Brussels	C	22	72	Nairobi	F	18	68
Budpst.	F	27	81	Naples	F	28	82
Cairo		—	—	Nwcstl.	C	21	70
Cardiff	C	19	66	N York	C	22	72
Cas'b'ca	S	25	77	Nice	F	24	75
Cape T.	R	13	55	Nicosia	S	29	84
Chicg.†	C	22	72	Oporto	S	28	82
Cologne	C	21	70	Oslo	S	27	81
Cpnhgn.	S	28	82	Paris	C	21	70
Corfu	S	30	86	Perth	C	13	55
Denver†	F	15	59	Prague	C	24	75
Dublin	C	22	72	Rykjvk.	R	10	50
Dbrvnk.	F	28	82	Rhodes	S	30	86
Ednbgh.	R	18	68	Rio J'o†		—	—
Faro	S	27	81	Rome	F	27	81
Florence	C	22	72	Salzbrg.	C	18	66
Frankft.	C	21	70	S'cisco†		—	—
Funchal	S	24	75	Singapr.	F	31	88
Geneva	C	19	66	S'tiago		—	—
Gibrltr.	S	22	72	Stckhm.	S	29	84
Gl'sg'w	R	18	64	Strasbg.	C	23	73
G'rnsey	C	18	64	Sydney	S	16	61
Helsinki	S	23	73	Tangier	F	30	86
H. Kong	F	29	84	Tel Aviv	S	28	82
Innsbrk.	C	18	66	Tenerife	S	29	84
Invrnss.	C	21	70	Tokyo	C	28	82
I.o.Man	C	16	61	T'r'nto†	F	18	64
Istanbul	S	26	79	Tunis	T	26	79
Jersey	F	20	68	Valencia	S	28	82
Jo'burg	S	17	63	Venice	F	27	81
L. Plms.	S	24	75	Vienna	F	23	73
Lisbon	S	31	88	Warsaw	F	29	84
Locarno	F	24	75	Zurich	F	20	68

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. T—Thunder.
† Noon GMT temperatures.

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